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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

PART 3—(Pages 1–847)

Advisory Council on Historic Preservation
Department of Energy
Department of the Interior
Indian Health Service
Institute of Museum Services
National Capital Planning Commission
National Endowment for the Arts
National Endowment for the Humanities
Office of the Federal Inspector for the Alaska Natural Gas Transportation System
Smithsonian Institution
U.S. Holocaust Memorial Council

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

TUESDAY, APRIL 27, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:40 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Rudman, and Burdick.

OFFICE OF THE FEDERAL INSPECTOR FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

STATEMENT OF JOHN T. RHETT, FEDERAL INSPECTOR

ACCOMPANIED BY:

PETER COOK, DEPUTY FEDERAL INSPECTOR FOR WASHINGTON, D.C.
JAMES TRENT, DIRECTOR OF FINANCIAL MANAGEMENT

BUDGET REQUEST

Senator MCCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1983 budget requests for the Office of the Federal Inspector for the Alaska Natural Gas Transportation System, the Department of the Interior's Bureau of Mines, and the National Endowment for the Arts.

We will begin with the Office of the Federal Inspector, whose fiscal year 1983 request totals $24,270,000. This request has been revised from the original 1983 estimate of $30,471,000, and represents a decrease of some $3,155,000 from the fiscal year 1982 spending level.

Testifying on behalf of OFI will be the Federal Inspector, Mr. John T. Rhett.

Mr. Rhett, we wish to welcome you once again before this subcommittee, and invite you to introduce those people who are with you; and proceed with your opening statement.

PREPARED STATEMENT

I might just mention that we have a long morning ahead of us and, as always, we would appreciate it if you would highlight your statement. Then we can proceed with the questions.

Your full statement will of course be made a part of the record.

[The statement follows:]

STATEMENT OF JOHN T. RHETT

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss our budget request for fiscal year 1983 and the status of the pipeline project. I am John T. Rhett, Jr., the Federal Inspector for the Alaska Natural Gas Transportation System. With me are Mr. Peter Cook, the Deputy Federal Inspector for Washington, D.C.; and Mr. James Trent, the Director of Financial Management.

As you know, the Alaska Natural Gas Transportation System is one of the most ambitious construction projects undertaken in modern times. It is the most expensive project to be privately financed, the most expensive pipeline project in the world, and the first buried, chilled gas pipeline ever built. When completed, the 4,800 mile pipeline system will traverse 11 states and four Canadian provinces, from the north slope of Alaska to the Chicago and San Francisco areas.

Construction of the system will occur in two stages. The first will involve construction of portions of the Eastern and Western Legs--referred to as "prebuild" or Phase I construction--to transport natural gas from Alberta, Canada to the lower 48 States. Early delivery of Albertan gas will require construction of 530 miles of the Canadian system, and 823 miles of the Eastern Leg and 160 miles of the Western Leg in the United States. The Western Leg prebuild system became operational in October 1981. Construction of the Eastern Leg began in May 1981 and is proceeding basically on schedule. When mainline construction halted for the winter in early December, approximately 635 miles pipeline work was completed. When the first phase of construction on the Eastern Leg is completed in late 1982, it, combined with the capacity of the Western Leg prebuild, will carry approximately 1.2 billion cubic feet of Albertan gas daily to the U.S.

The second phase of the project will entail the completion of the Alaskan, northern Canadian, and lower 48 portions necessary to deliver the Alaskan natural gas to the continental U.S. The Prudhoe Bay gas conditioning plant will also be built during the second phase of the project. Because of the volume of gas to be transported, the gas conditioning plant will be the largest of its kind in the world.

The magnitude of the project, the massive procurements required, the logistics involved, and the range of ecosystems affected pose an awesome challenge to all of the project's participants. The challenge presented by this project is made even greater by the need to get the pipeline built expeditiously. The completed system will supply about four percent of our Nation's gas needs for the 25-year life of the project, which is equivalent to 400,000 barrels of oil per day. It will be designed to carry about 2.4 billion cubic feet of natural gas daily from Prudhoe Bay to homes and industries in the lower 48 States. The pipeline can be expanded to carry additional volumes of both Alaskan and Canadian gas--up to 3.2 billion cubic feet per day with additional compression.

The Alaska Natural Gas Transportation System will also support the twin goals of greater American energy independence and increased American production at a most critical time. While substantially adding to America's energy supplies, it will also provide greater opportunities for U.S. workers and industries.

The timeliness, quality, and cost-effectiveness of pipeline construction will to a large extent depend upon cooperative and coordinated efforts of all participants in the project--the sponsor companies; the Federal, State and local governments in the U.S.; the Canadian Government; and interest groups. The sheer size of the project, the problems presented by arctic conditions, and the requirement to protect some very sensitive environments underscore the need for a coordinated effort. Indeed, it will be critical to the project's progress.

The pipeline is the largest joint energy project ever undertaken by two nations. As such, it requires--and has received--the continued cooperation of both the U.S. and Canada. The Canadian Government authorized early transport of Albertan gas in the summer of 1980, and now that gas is flowing through the prebuild system to U.S. customers in southern California. The Canadians have received assurances from the U.S. that the project will be completed, and are eager to move forward with the project. In other words, expeditious completion of the system will also help assure continued good relations with the Canadian people.

The Office of the Federal Inspector (OFI) was established to oversee the construction and initial operation of the Alaska Natural Gas Transportation System (ANGTS). As provided in its authorizing legislation, the agency will cease to exist 1 year after initial operation of the system. The OFI is a unique experiment in public administration: it represents the first time that all Federal responsibilities associated with a major project have been transferred to a single agency. As the focal point, the OFI has responsibility for every aspect of the project from design and preconstruction through construction and initial operation. This approach was developed to assure timely, consistent and balanced Federal decisions. In addition to the traditional Federal responsibilities for pipeline safety, environmental protection, and health and safety, the President and the Congress charged the OFI with assuring that the project is built expeditiously, at the lowest possible cost to the consumer.

The concept of a centralized Federal decisionmaker, with responsibility for every aspect of the project grew, in large part, out of recognition of the difficulties encountered during construction of the Trans-Alaska Pipeline System. The concept was endorsed by Presidential and Congressional action on three separate occasions over 3 years and it was incorporated in the U.S./Canadian Agreement which established the conditions under which this joint venture would be conducted. An organization similar to the Office of the Federal Inspector, the Northern Pipeline Agency, has been established in Canada by an Act of Parliament. In addition to overseeing the construction in their own countries, these two parallel agencies meet regularly to assure that progress on both sides of the border remains coordinated. Given the emphasis placed on coordinated schedules and simultaneous completion by the billing commencement provision approved by the Congress in December, this coordination is especially essential now.

Although most of the OFI's authorities are those transferred by law from other existing agencies, the Alaska Natural Gas Transportation Act of 1976 and the President's Decision and Report, approved by Congress in 1977, assigned some specific, additional responsibilities to the OFI. For example, to assure coordinated Federal and State construction surveillance actions, the Federal Inspector was directed to establish a joint monitoring agreement with the State of Alaska. Before construction begins, the Federal Inspector will review the sponsors' detailed, overall management plans; cost and schedule control systems; final design and cost estimate; and construction schedules. Prior to construction, the OFI also coordinates and expedites the issuance of all Federal permits for the project. Moreover, the agency reviews the permits to assure that no onerous or conflicting conditions are imposed. Finally, the authority to enforce all Federal laws, permits, conditions and regulations governing the project during construction was transferred by law to the OFI.

I would now like to discuss the current status of the pipeline project, as well as the impacts of some recent developments on the project itself and the operations of the Office of the Federal Inspector.

About 1,195 miles of the total system are completed and, by this fall, about one third of the total system will be finished. (An additional 394 miles of pipeline have been constructed on the Western Delivery System, a facility that is related to, but not part of, the Alaska Natural Gas Transportation System.) Of the total mileage completed, approximately 800 miles of the U.S. portions of Phase I of the Alaska Natural Gas Transportation System have been constructed. Gas began flowing through the Western Leg of the system on schedule and it is expected that the final cost will be very close to the original projection. During 1981, over 600 miles, or about 75 percent, of pipeline were installed on the Eastern Leg of the system. The remainder is scheduled to be constructed during 1982 and current projections indicate that Phase I of the Eastern Leg will be completed under budget.

Overall, Phase I construction has proceeded quite well and most of the problems encountered have been resolved. Through the Reorganization Plan, the OFI was given the authority to resolve certain conflicts during construction in an expedited manner. For example, for two major river crossings on the Eastern Leg, the OFI worked with the sponsors and the Federal and State agencies to develop a revised set of permit conditions which provided the necessary construction flexibility while still satisfying environmental concerns. Without these changes, the river crossings might not have been completed in time to allow the Eastern Leg to begin operation on schedule.

There is one problem area--welding--that we are currently looking into. While no single cause has been specifically identified, the problem seems to stem from the fact that the pipe used on the Eastern Leg has a higher grade, greater weight and wall thickness, and larger diameter than is normally installed in the United States. To help assure that this problem does not occur during the 1982 construction season, the sponsor has revised to its Quality Assurance and Quality Control (QA/QC) procedures. Based on a review of the sponsor's QA/QC systems conducted during the 1981 construction season, the OFI has made some additional recommendations for improving these procedures. Although some welds on the Eastern Leg will have to be repaired during 1982, we expect that these repairs can be completed in time to allow the Eastern Leg to begin operation on schedule. The Department of Transportation (DOT) and the OFI are now reviewing the sponsor's proposed repair procedures. Acceptance of these procedures would require implementing the existing legal provisions for a waiver of a portion of the DOT's pipeline safety regulations. In recent years, the DOT has approved a number of similar requests for other pipelines. As part of the justification for using these alternative procedures, the sponsor claimed that environmental damage would be minimized and that costs would be reduced.

While there are many differences between lower 48 and Alaskan construction, the experience gained on Phase I will be valuable in many respects on Phase II construction. For example, the sponsors of the Alaskan and Canadian Legs, as well as the OFI, are following the Eastern Leg sponsor's efforts to determine the causes of the welding problem for application to Phase II. As another example, the OFI has developed a manual which establishes precedures designed to assure consistent oversight of construction activities. This manual is now being revised to reflect the lessons learned during the 1981 construction season and it will be revised again before construction begins in Alaska.

As you know, the sponsor for the Alaskan Leg of the system, Northwest Alaskan Pipeline Company, has not yet been able to secure financing, even though negotiations have been continuing for some time. To remove certain roadblocks to private financing and thus expedite the project, President Reagan in October 1981 invoked Section 8(g) of the Alaska Natural Gas Transportation Act to request waivers of certain laws governing the project. The waiver proposal was approved by Congress and signed into law in December 1981. Enactment of the waiver proposal changed the laws such that the gas producers--Exxon, Arco, and Sohio--may have equity in the transportation system. In addition, the Prudhoe Bay gas conditioning plant is now legally part of the project, and the Federal Energy Regulatory Commission (FERC) now has the responsibility for establishing the date upon which the sponsor companies can begin billing consumers for the cost of the completed portions of the system--the Canadian segment, the Alaskan Leg and the gas conditioning plant. This waiver provision provides that if one segment of the pipeline system is completed, the sponsor of the completed segment may begin billing the consumers on the date established by the FERC, regardless of whether gas is flowing or the other segments are finished. The Canadian sponsors have always maintained that they could not obtain financing unless they were allowed to begin collecting their tariff upon completion of the Canadian segment. Thus, the waiver provided that the Canadian sponsors can bill for the "full" cost of service--which includes return on, and of, equity investments, actual operation and maintenance charges, actual current taxes, and amounts necessary to service debt--when the Canadian segment is completed. Upon completion of either the conditioning plant or the Alaskan Leg, the sponsors may begin collecting actual operation and maintenance charges, actual current taxes and amounts necessary to service debt for the completed portion. The sponsors may not receive any return on, or of, their equity investment in the Alaskan pipeline segment or the gas conditioning plant until gas begins to flow.

While there is an outside possibility that consumers may be billed before they receive the gas, FERC--in consultation with the Office of the Federal Inspector--will carefully analyze all the risks involved in a construction project of this nature before establishing the date that such charges may commence. That consumers will be billed before gas starts flowing is not a certitude. Furthermore, the incentive to complete the system by the "date certain" established by FERC is especially great for equity investors in the U.S. segments--primarily the gas producers and sponsors--since they would receive no return on, or of, their equity investment until gas flows.

Since the passage of the waiver proposal, the pace of financing negotiations between the sponsors, the producers and major lending institutions has accelerated. The focus of their discussions has been on the precise level of debt and equity participation by the producers and the sponsors and the terms under which debt funds will be provided. Intense negotiations between the producers and the sponsors are now going on. Hopefully, an agreement on the overall financing plan can be reached in the near future.

As you know, on March 16, 1982, the sponsor for the Alaskan Leg announced a change in the full system completion date from the winter of 1986-87 to the winter of 1987-1988, based on the assumption that the overall financing plan can be successfully arranged by June 1982. Until this conference, government and industry had been assuming a winter 1986-87 completion timeframe for planning purposes. Our original FY 1983 budget request of $30,471,000 and 205 full-time permanent positions, was geared to a 1986-87 system completion date. It also included funding to relocate most of the Washington, D.C., and Irvine, California, staffs to a new headquarters office in Alaska prior to the start of civil construction there in 1984.

The change in the project completion date to 1987-1988 had a definite impact on the budgets projected for the OFI. This is because our level of activity, and thus, resource requirements, are based upon the construction schedules projected by the private sponsors. Schedule changes have occurred before, and we have always adjusted our budget estimates to reflect revisions. In the past, when it appeared that a schedule slippage was likely, we immediately analyzed its impact on our budget requests to ensure speedy processing of any revisions. Consequently, in mid-February 1982, we reexamined our FY 1983 request and provided the Office of Management and Budget with amended estimates. After the March 16th announcement by the sponsors, the President reviewed, approved, and transmitted our amended FY 1983 request of $24,270,000 to Congress.

The $24,270,000 estimate is based on the agency maintaining its current level of effort for another fiscal year rather than accelerating its activity as was originally projected for FY 1983. Under the original schedule completion date of 1986-87, Alaskan Leg design review activities would have peaked in FY 1983, civil construction would have commenced in FY 1984, and main pipeline installation would have begun in FY 1985. Also, the headquarters office would have relocated to Alaska in 1983, 6 months prior to the start of civil construction there. With a 1-year schedule delay, however, all OFI program activities will be stretched out over a longer period of time, since main pipeline construction will not get underway until 1986. The headquarters move will also be delayed until 1984.

There is one major exception to the stabilizing of program activity, and that concerns the recent inclusion of the gas conditioning plant in the ANGTS project. With its inclusion, the OFI has acquired added responsibilities for overseeing its construction. The gas conditioning plant will pose a considerable engineering challenge. It will cost approximately $4 billion (in 1981 dollars) to build, will be the largest plant of its kind in the world, and will be situated in Prudhoe Bay, Alaska--an area which is remote and relatively inaccessible. In order to build the plant, special barges will have to be constructed to transport modules from two fabrication sites on the West coast to Prudhoe Bay. Furthermore, the module shipments can be made only during the 2 months a year that the Beaufort Sea is ice-free. The logistics of this construction effort, the massive procurements required, and the extensive design work involved will necessitate thorough and coordinated oversight by the OFI staff to assure safe, expeditious yet efficient construction. The increased agency workload generated by the inclusion of the gas conditioning plant has, therefore, tempered the total amount of the reduction proposed in 1983 budget.

In analyzing the budgetary impacts of the 1-year slip, we determined that the original estimate of $30,471,000 would have to be reduced by $6,201,000, and the original personnel request of 217 total workyears by 29 workyears. The bulk of the reduction is comprised of savings of approximately $3,400,000 realized from the delay in the headquarters relocation. The relocation involved costs for real estate settlements, temporary quarters, travel shipment of household and office goods, and storage for approximately 100 employees slated to be moved to Alaska-half from Irvine, California, and the other half from Washington, D.C. The decrease in staffing requirements, particularly in the field surveillance program, makes up the other major portion of the reduction--approximately $2,300,000. Not only do personnel compensation and benefits drop, but so do related costs such as travel and telecommunications. While there is a reduced need for some technical contract support, the recent inclusion of the gas conditioning plant in the plant required additional contract funding to support design, cost, and environmental analyses.

In terms of the impact on the agency's programs, most areas, except Field Surveillance, will simply maintain the current FY 1982 momentum throughout FY 1983. The Engineering Review activity will experience a proportionately smaller decrease between the original and revised budget because of newly added responsibilities for oversight of the gas conditioning plant. While the overall level of program activity will not be as intense as originally projected for FY 1983, there is still a considerable amount of work to be accomplished with the 1-year schedule slippage.

In addition to gas conditioning plant oversight, the Engineering staff will also review over 20 engineering design packages for the Alaskan segment pipeline and the compressor and metering stations throughout the year. Review of management plans for Alaskan pipeline construction and logistics will occur in the first half of FY 1983, and review of major procurement packages for pipes, valves, and fittings will take place in the latter half of the fiscal year. Work on frost heave design will continue throughout the year, as will review of quality assurance and control at selected vendor facilities and review of Alaskan Leg design changes.

The Environmental program staff will, in conjunction with the Office of Engineering, review the environmental aspects of the design packages scheduled to be submitted during FY 1983. They will also be coordinating the review of the plans for Stipulation 1.6.1 of the Alaskan Right-of-Way grant. Ongoing responsibilities will include review of sponsor and interagency environmental reports and on-site assessments.

Although the issuance of permits will not peak in FY 1983 as originally anticipated, there will still be preconstruction field work requiring permits to sustain the current level of effort of the Permits and Compliance staff. The compliance staff will be developing enforcement guidelines and training programs for the Alaskan Leg, as well as completing the evaluation of compliance activities on the Eastern Leg.

The Audit and Cost Analysis program will maintain a steady workload of quarterly audits of the costs incurred for the Eastern and Alaskan Legs, routine systems analyses, and review of any design cost changes for the design packages expected to be submitted during FY 1983. An evaluation of the administration of the Incentive Rate of Return (IROR) mechanism will be conducted for the Eastern Leg, and IROR procedures for the Alaskan Leg will be developed. The review of the sponsor company's management systems on the Alaskan Leg is also expected to occur at some point in FY 1983, depending on timing of the submission of the plans for such systems. Also, the Audit and Cost Analysis staff may be required to perform additional analyses of the Certification Cost Estimate in FY 1983, depending on when financing is secured for the Alaskan Leg.

The Field Surveillance program will experience the brunt of decreased project activity as a result of a slip in construction. The Western Leg prebuild segment will have already been completed, the Eastern Leg will be completely finished by mid-FY 1983, and field surveillance in Alaska will not be as demanding with main pipeline installation delayed another year. Indeed, most of the reduction in the agency's staffing requirement occurs in the Alaska offices. Because of the slower pace of field operations in Alaska, salaries, benefits, travel, and logistics support costs drop significantly. Under the revised schedule, most of the work of the Alaska office in FY 1983 will focus on coordinating design review and permit activities through the one-window process. The office staff is also expected to develop criteria upon which to then review the quality assurance and control plans for the Alaskan pipeline segment.

The workload of the Executive Direction and Administration function will drop somewhat, in proportion to the overall decrease in the level of program activity originally projected. The delay in the relocation of the headquarters office to Alaska will not only defer moving costs for administrative personnel slated to be transferred, but will also postpone the rather intensive amount of work that was expected to be performed by the Executive Direction and Administration staffs in the preparation and execution of the move. Overall, the level of activity projected for this area under the revised schedule will remain relatively constant from FY 1982 through FY 1983.

The revised request of $24,270,000 represents our best estimate as to the minimum requirements necessary to support the level of agency activity now projected for FY 1983. In determining this and all other budget requests, the OFI has consistently followed a number of basic guidelines, designed to keep the number of Federal agency personnel to the minimum level necessary to assure that the project is built expeditiously, at the lowest possible cost to the gas consumer. For example, OFI has established a number of interagency agreements with other Federal agencies which allow the OFI to utilize existing agency expertise. In some cases, the OFI has provided highly specialized technical support to other agencies to assist them in their permitting activities. The OFI also relies on contractor support whenever possible, to keep the number of OFI personnel to the minimum level necessary to fulfill our responsibilities. Finally, the OFI oversees, rather than duplicates, the sponsors' activities.

The OFI is also continuing to refine policies, procedures and organizational mechanisms to ensure safe, cost-effective and timely pipeline construction, as well as to fulfill its responsibility for coordinated Federal oversight of the project. While the OFI has accomplished a great deal to date, we have deliberately kept our buildup of staff and operations to a minimum as a result of the construction schedule uncertainties for the Alaskan Leg. Consequently, our current full-time permanent onboard strength stands at only 136 employees.

In spite of the schedule delay, the fact that almost one-third of the system has been constructed illustrates that the project is moving forward. Gas is flowing through the Western Leg of the prebuild system, and steady progress continues on Eastern Leg prebuild construction, and in the areas of design review, field surveys, and expedited permit processing.

Mr. Chairman, that concludes my presentation. I will now be pleased to answer any questions you may have.

INTRODUCTION OF ASSOCIATES

Mr. RHETT. Senator McClure, it's a real pleasure to be here.

Mr. Chairman, I would like to introduce Mr. Peter Cook, on my left, who is my deputy for Washington; and Mr. Jim Trent, on my right, who is my chief of financial management.

STATUS OF PROJECT CONSTRUCTION

I have submitted the statement for the record and would like to quickly update—rather than read the statement—the status of the project.

We have started construction in the lower 48 on the prebuild portion. The western leg, which involved some 160 miles of looping through your State and the State of Washington, has been completed; gas has been flowing through it since last October.

There is still minor work to be done, and we are watching that; however, we have closed the office which had been overseeing western leg construction.

On the eastern leg, the one which runs from Montana to Iowa, we have completed about 70 percent of the pipe installation. And, construction there has started again for the second season.

This has been going very, very well. We can see no reason why the lower portion should not be finished on time this fall.

WELDING PROBLEMS

The only basic construction problems that have occurred have been with welding. Welding seems to be an issue that comes up in many construction projects—submarines, tanks, pipelines, among others.

We have been watching the welding activities very, very closely. There have been some problem welds on the eastern leg. We have been working with DOT and the company to resolve these problems and have kept tight control on it. The weld corrections should start very shortly, and be finished, hopefully, without any interruption to the farmers.

This is, I think, a beautiful example of industry and Government working together to resolve a problem efficiently and in everybody's best interest.

PHASE II CONSTRUCTION UNCERTAINTIES

The second phase of construction is a little shakey right now as negotiations continue on financing, and this is the reason for our cut in budget. I am sure you know this from reading the newspapers and from other briefings.

Basically, these negotiations are at a midpoint, and I really don't know what the outcome will be.

The next couple of weeks will be a very critical time, in which internal negotiations between the bankers, the gas owners, and the gas transporters, will be going on.

SCHEDULE SLIPPAGE

On the 16th of March, the sponsors of the project announced a slip from 1986–87 season to the 1987–88 season. This effectively caused us to readjust our budget downward, from the $30.5 million to the $24.3 million request, which, as you pointed out, is lower than our 1982 appropriation.

REVISION OF FISCAL YEAR 1982 BUDGET

In addition, we are looking at our 1982 budget very closely.

Depending on the results of the meetings over the next couple of weeks, we would expect major savings within our 1982 budget.

We are trying to make sure that we continue to use our resources efficiently, and that we resolve any problems with the budget now.

HIRING RESTRICTED

Our current staffing is about 135 people. We were authorized 190 people—these are permanent positions, but due to uncertainties, I restricted hiring a long time ago.

I only allocated about 165 of these positions, and only filled about 140.

In general, our reduction in costs follows our reduction in people. It has been a tight rope to walk in a project of this nature, because we are dependent upon what the sponsor does.

We live in mortal fear of the sponsor suddenly speeding up the pace of the project. Of course, they can move faster than the Government can in hiring.

But I think so far we have been able to maintain a very good balance.

Any future problems that result from the sponsors' schedule—we expect to see schedules in much more detail in the next month or so—will obviously be reflected in the way we do business.

We are trying to operate a very tight ship. I think to date we've been able to do it, and to be efficient.

I think our revision is thoroughly straightforward, but we'd be happy to answer any questions, sir.

Senator McClure. Thank you very much, Mr. Rhett.

I appreciate your testimony as well as your prepared statement, which has been made a part of the record.

IMPACT OF FINANCING ISSUES ON PROJECT SCHEDULES

I have of course been getting briefings with respect to the financial parts of the problem.

How far can we slip? How much past June do the financing plans slip before the project finish-date will also slip from 1988 to 1989?

Mr. Rhett. Theoretically, without a major shift in the way business is done in Government, not past July.

Senator McClure. "Past July"—is that past the first or past the middle or past the last?

Mr. RHETT. Obviously, I was trying to weasel around that one. [Laughter.]

The sponsor's announcement regarding the schedule slippage referred to July 1, but there is some softness, I am sure, in that.

One of the biggest potential difficulties is due process involved in the Government's regulatory actions. It's not just "processing" the certificate authorizing construction in Alaska, but the proper "due process" that is necessary before the certificate can be issued.

STATUS OF ENGINEERING DESIGN

Senator McCLURE. How far along are the design and engineering activities for the gas conditioning plant?

Mr. RHETT. They've moved along very quickly.

We have pretty much finished what is called the first phase, which is almost a breakpoint in the design process.

This is the phase in which all the bids for major equipment can go out to vendors.

Once the vendors come back with their bids, then you work their products—for example, the big compressors—into the module designs.

So you can say that the initial milestone on design, the 10 or 15 percent mark, has already been passed.

GAS CONDITIONING PLANT ISSUES

Senator McCLURE. Is Parsons Engineering still the prime design contractor?

Mr. RHETT. It is still the prime design contractor.

Senator McCLURE. Who else has been involved in that—the design and engineering—on the gas conditioning plant?

Mr. RHETT. There is a project team primarily representing the three gas producing companies: Exxon, ARCO, and Sohio. It is a very fine team of production engineers, and they are presently working in the Parsons' building.

Senator McCLURE. Is it expected that with the completion date slipping on the pipeline, the construction schedule on the gas conditioning plant will slip, also?

Mr. RHETT. It will slip also. In fact, the gas conditioning plant is a critical path item.

Senator McCLURE. Well, if that does slip, how much will the sponsors' project costs rise above the previously-anticipated $3,600,000,000 level?

Mr. RHETT. I think I need a little clarification on the question.

Senator McCLURE. Well, how much is cost going to rise if we slip the schedule?

Mr. RHETT. Well, the costs will rise according to inflation but I am informed that the true cost should not rise very much. But depending on inflation, there's a good chance that we'll see a 10-percent rise in costs with a slip of a year.

COSTS OF PREBUILD CONSTRUCTION

Senator McCLURE. You have indicated, and it is my understanding, that both the eastern leg and the western leg are currently predicted to be under budget when completed; is that correct?

Mr. RHETT. Yes, sir.

Senator McCLURE. Those projections, however, exclude finance charges. Will you please provide for the record, final costs as compared to original estimates, including the finance charges, for both legs of the pipeline?

Mr. RHETT. We will provide that.

[The information follows:]

PREBUILD COST ESTIMATES INCLUDING FINANCE CHARGES

The western leg of the project has a projected construction cost estimate of $176,179,100 including finance charges of $8,400,000. The total cost as of February 1, 1982, with only minor items left to install, is $168,971,000, which includes $8,157,000 of finance charges.

The eastern leg of the proejct has a projected construction cost estimate of $1,474,000,000, including finance charges of $236 million. The current estimate to complete stands at $1,420,000,000, including the same estimate for finance charges. Actual expenditures through January 31, 1982, totaled $896,259,000.

WELDING SITUATION

Senator McCLURE. Can you briefly explain and update for the committee the welding situation on the eastern leg; and indicate what your response was for the problems when first discovered?

Mr. RHETT. A very interesting problem.

On the eastern leg, we have had in the neighborhood of about 780 weld defects——

Senator McCLURE. Out of a total of how many?

Mr. RHETT. Well, I think 48,000.

It is a very small percent, but very troubling, because each one has to be repaired. And, there is always concern about how they slipped through the initial checks.

I really want to emphasize that three groups—the OFI, DOT, but most important, the company—have set another example of two Government agencies and a company working out a problem together in the best interests of everybody.

When the weld problem was picked up through the company's quality control system and ours, we immediately started investigating it.

It looked like the problem was corrected about mid-July, and things started to level off. Shortly thereafter, we began to find out there were other problems.

Consequently, the company directed, and we worked with them on this, a 100-percent recheck of every weld X-ray. It is a big task to check every one of those weld X-rays in detail. The recheck is being done by a more qualified person than the original weld X-ray checker.

Some 780 welds were identified as needing repair. The correction of some of these welds necessitated a request to waive the DOT regulations which require replacing rather than repairing certain weld defects.

The waiver that is being requested is one that has been granted before. DOT plans to change the regulations anyway.

We worked with the companies on this waiver request. We are in the process of getting it worked out right now. Nonwaiver welds started being repaired on Monday; the rest of them, we hope, by the first of May.

This problem is being studied. I need to take it one step further.

It looks like the weld defects are resulting from the use of high quality pipe, high diameter pipe, and high pressure pipe.

This is also being studied in much detail in Alaska, and also by the Canadians, because we are not sure why these weld problems are occurring. We can give you seven or eight reasons why they occur; but there's just not a specific enough pattern.

We may be dealing with a higher quality pipe which, in turn, may necessitate some changes in procedure.

DOT, OFI, the sponsoring companies, and the Alaskan companies, are all studying this in much detail to make sure we don't have that problem in Alaska.

Senator McClure. Well, you have indicated that this isn't going to delay the project. But I assume that that projection is based upon the circumstance that you get the waivers, is that correct?

Mr. Rhett. Yes.

I have no doubt we will get the waivers. There are still a few minor points here or there, but we're working on it.

Senator McClure. It's not an unusual thing? It's typical of what has been done before? Is that correct?

Mr. Rhett. Yes.

There is a precedent for this.

COST OF WELD REPAIRS

Senator McClure. How much is the repair of the welding defects projected to add to the overall cost of the eastern leg?

Mr. Rhett. Approximately $17 million was set aside. Bids have come in. My guess is it's going to be considerably lower than that.

And this is compared with an estimated total cost of about $1.25 billion.

Senator McClure. Who bears the responsibilities for these?

Mr. Rhett. It looks like there was prudent management while this was occurring, and if so, it will be included in the rate base.

Senator McClure. The ratepayers will pay it?

Mr. Rhett. That is correct.

Now, there is one item, though. Because of the incentive rate of return, the higher the cost, the lower the rate of return that the consumer has to pay.

So there is some balance because of the incentive rate of return.

Senator McClure. If the waiver were not granted and the project sponsor had to cut out sections of the pipe and replace them, would you then run into greater delay and greater costs?

Mr. RHETT. Greater delay and greater costs. The cost is estimated at at least twice as much.

But it's not necessary. I am referring to having to go into a farmer's field, digging up hundreds of yards, slicing the weld out, and redoing it.

It's just not in anybody's best interests, particularly when it's not needed.

Senator MCCLURE. It's not an attractive alternative?

Mr. RHETT. It is not, sir.

ATIGUN PASS AND YUKON RIVER ROUTING

Senator MCCLURE. There are engineering problems in two sections, as I understand it: the Atigun Pass and the Yukon River.

Mr. RHETT. Yes.

Senator MCCLURE. How are you coming on the engineering decisions for placement of the pipeline in those two locations?

Mr. RHETT. Both of these are being worked out now. I am somewhat encouraged.

The final solutions have not been reached. The problems are both technical and—I use the term "political" because the State of Alaska is intimately involved.

The haul road at Atigun Pass is part of the State road system. There are negotiations going on between the State, the company, and Alyeska concerning the placement of the pipeline, and we are monitoring the discussions.

On the bridge, risk analyses have been done. There was a big meeting in Seattle concerning this a month ago. It looks like the gas pipeline might go across the bridge.

Regarding the Atigun Pass, the State, the company, Alyeska, and the OFI all agree on the method of laying the pipe and its routing. It is one hard engineering job, and they are working on it.

We are trying to install the gas pipeline across the road from where the oil pipeline is. It can be done, but it isn't going to be easy.

The one thing about both of these issues—and it is an important feature of the project—is that these jobs are planned to be done a year earlier than the pipeline.

In other words, tackle the worst areas first, to make sure that the most risky ones, such as Atigun Pass, aren't left until last.

Senator MCCLURE. Is the engineering coming along so that you can do this?

Mr. RHETT. Yes, sir.

SAN FRANCISCO OFFICE CLOSED

Senator MCCLURE. Why did you close your San Francisco field office earlier this year?

Mr. RHETT. With the slippage it just was not profitable.

We analyzed the situation and decided to close it.

We hated to do it, and paid a price for it. We paid a price in that we lost some very good people, whom we will need back when the rest of that line is completed.

When we looked at various options, the best alternative was to close the office, and either reassign people or let them go. I think our separation costs were $30,000 or $40,000. By closing the office for a year and a half we saved around $500,000. The costs were to high to leave it open.

Senator McClure. How many people were involved in that office?

Mr. Rhett. We had—with the secretary—up to five people. We were always concerned about this office in that if a slip occurred, it might have to be closed.

So we limited our professional staff and supplemented them with contract personnel during construction itself.

Senator McClure. So you are talking about five permanent employees?

Mr. Rhett. Yes, sir.

Senator McClure. What about contracts?

Mr. Rhett. The contract staff was hired on an as-needed basis. They were not physically located in San Francisco, but in Spokane.

Senator McClure. It is my understanding that of the five employees in that office, only one is still with OFI; is that correct?

Mr. Rhett. That is correct.

Senator McClure. But the costs you have given included the severance pay and termination costs of the office?

Mr. Rhett. And costs of paid leave.

GAS CONDITIONING PLANT OVERSIGHT

Senator McClure. As a result of including the gas conditioning plant in the overall gas pipeline project, how many OFI employees have, as their prime responsibility, the review of the various aspects of this conditioning plant?

Mr. Rhett. Presently, one.

That is because we were in the process of building up a staff when a schedule slippage appeared imminent. But that does not mean we are not monitoring it.

We have readjusted our engineering staff—those who were working on the compressor stations, and are highly qualified—to cover any conditioning plant work.

In addition, we contracted out some work to consultants until such time as the schedule is settled. The consultants can be hired for specific jobs, then let go.

COST OF GAS CONDITIONING PLANT

Senator McClure. That's a very high cost project, and there are rather unusual provisions, as we all know, with respect to the gas plant. We are going to have to be awfully careful to monitor costs on that, are we not?

Mr. Rhett. Very much so. And—no, there is not an incentive rate of return mechanism on it.

The gas conditioning facility will be the largest industrial plant, I think, in the world, built in one of the most difficult places. But the big oil companies are used to construction in that kind of location.

Because the companies have this experience, they know the problems involved and we know what they are, too.

So it's not that we're plowing new ground, as we are in certain cases on the gas pipeline.

Senator McClure. I understand that.

On the other hand, it's unusual to put this into the rate base in the same way that it is here.

Mr. Rhett. I agree.

Senator McClure. And, therefore, the constructors may have a different motivation than they would normally have with respect to cost control.

Mr. Rhett. Mr. Chairman, I assure you we will be watching them like hawks on this.

Senator McClure. I want them to know that, too.

Mr. Rhett. Yes. [Laughter.]

Senator McClure. I assume that in the preparation for the construction of the new plant, there will have to be new dock facilities built, specially designed barges will have to be built, a gravel pad, and the building supports will have to be constructed, among other things.

And I assume that all of this will slip somewhat; is that correct? Do you know what the contractor's plans are?

Mr. Rhett. It will stay on the same schedule as the pipeline.

The problem is with the high costs, from a construction viewpoint, I don't believe the companies will spend a dollar before they have to.

They'll wait to spend all their money at the end, when the pipeline and the conditioning plant will mesh together.

Senator McClure. Have they notified you of any changes in construction schedule or timing that deal with your need to have personnel on board?

Mr. Rhett. There was one change announced on March 16 regarding a schedule slippage of 1 year; my budget reflects this slippage.

We don't know if something else will occur as a result of the negotiations that are going on now. I have been assured by the sponsors that I will have the detailed information—not just the general information—as soon as it's available, so we can do our planning.

ADP CONTRACT AWARDED

Senator McClure. It is my understanding that the contract has recently been awarded for ADP services.

Mr. Rhett. Yes, sir.

Senator McClure. What services will this ADP system provide? What are the terms and cost of the contract? And when will that system be fully operational?

Mr. Rhett. Let me say a couple of things on it, and then give you Mr. Cook, who is really managing this area.

Our office has been kept small, and is highly dependent upon a few things—one is a good information system.

We have divided the information system into two parts. One of them is internal control, such as answering a congressional letter, or reporting on financial management. I'm really proud of these systems.

We started from scratch, so we didn't inherit any problems.

The second one, while more complex, is really going to save money. This side of the system concerns project information, and requires interface with the sponsors.

We have been getting extremely good support from them, considering this is a touchy area.

When an outside management information system is put in the middle of the companies' information systems, it knots their stomachs up. And rightly so, because they don't know what can be pulled out of their computers.

But we've developed a very good working relationship with them.

The major thing that we have been concerned about is duplication of effort. But we told the sponsors in the beginning: "You either let us develop these systems together, or we are going to develop our own."

And, if we had developed our own, because of reimbursement, the company would have paid for it anyway.

It's silly for us to duplicate. Furthermore, we've gotten beautiful results from this approach.

We just let a new contract and, Peter, could you—

Mr. Cook. Senator, on December 11, the Office of Federal Inspector awarded a contract to the Systems Development Corp.; we expect that contract to amount to about $3.1 million through mid-1983.

The contract has provisions and options which could allow us to increase the amount up to about $9.25 million, and extend the terms of the contract to 1989, depending on the amount of automated data processing support we feel we need.

As Mr. Rhett said, the contract will provide us with a number of services. First of all, systems design work, both design of systems for our own use as well as for working with the sponsors to help them design systems which will satisfy both their needs and our needs.

The contractor will provide the telecommunications, system maintenance support, and all the other things that are normally required to run any sort of automated data processing operation.

The major thrust is to not do any more work than is necessary, and to rely as much as we can on the private sector ADP systems, consistent with our need to conduct an independent evaluation of the sponsors' activities.

Senator McClure. When do you expect that will be fully operational?

Mr. Cook. We have interim systems in operation right now, Senator. The development of our systems is tied into the sponsors', and we will be developing our systems in tandem with the sponsors'. We already have operational systems which serve our management needs.

Senator McClure. Would it be accurate to say that you expect it to be coincident with the development of the project sponsors'?

Mr. Cook. Yes.

Senator McClure. There will be no significant time lag?

Mr. Cook. No.

We are phasing the development of our systems with theirs. We must, because we are trying to integrate them as much as possible.

AIRCRAFT CHARTER

Senator McClure. On page 228 of your justification, you indicate certain aircraft and ground transportation services have been moved from object class 21, "Travel and transportation of persons," to object class 25, "Other services."

Why was this move made?

Mr. Rhett. It wass done because of our use of charter aircraft for field work. This is something that we worked out with the Office of Management and Budget.

If a helicopter is required to go up the line in Alaska for inspection purposes, rather than have that show up in a "travel" budget, it falls into a "field cost." It's a cost of inspection, not a cost of travel.

Now, the cost of taking an expert and flying him commercially to Fairbanks, that's a travel cost.

If he takes a charter aircraft onto the line, that becomes a field inspection cost.

It's been done this way for our own evaluation, internal bookkeeping, and OMB's review.

Senator McClure. Does that mean that you'd be sending the same charter company two checks? You would be making two accounting entries internally?

Mr. Rhett. I've missed your point?

Senator McClure. Well, you indicate you are going to handle that which is essentially field work separately under one class?

Mr. Rhett. Yes.

Senator McClure. That which moves people from area to area not on the job would be handled in another, so you will have two difference places to enter that service?

Mr. Rhett. Yes.

When the costs come back to financial management for processing, they are broken out by field costs, which fall under "Other services," versus travel costs.

Then, when these costs are reviewed by management, we can see whether we've got a travel problem, or whether we've got inspection problems.

Senator McClure. Well, are you experiencing any difficulty with limitations on travel expense?

Mr. Rhett. No; we are not.

Flying between here and Alaska is fairly expensive, but we've been able to manage it.

We do have an extremely tight travel control system. Not only does everybody have to project their travel in advance, but all trips taken are summarized on a computer report that is displayed to management.

PERMIT ISSUANCE

Senator McClure. How many of the 1,300 permits and 75 notices to proceed originally planned to be issued in fiscal year 1983 will be delayed as a result of the 1-year slip?

Mr. Rhett. The bulk of them.

I think in the neighborhood of about one-half, but if the sponsors' schedule is changed again, a lot of them could be even further slipped.

AUDIT SUPPORT

Senator McClure. Does OFI rely entirely on contract services to perform the audit and cost analyses of the various pipeline sponsor activities?

Mr. Rhett. Yes; to do the detailed audit work.

We have a highly competent audit staff that supervises the audit work done under contract. Again, the contract end of the business fluctuates up and down.

But we have tight control over it; the contractor is doing no more than providing us with recommendations.

Senator McClure. If I understand correctly your answer, the supervision of the audit is internal?

Mr. Rhett. Right.

Senator McClure. But the work is performed by contract?

Mr. Rhett. That is correct.

We have used both FERC and Main Hurdman under contract. We have used interagency expertise to avoid hiring the people ourselves.

Senator McClure. Can you break that out by percentage? How much of the total work is done in-house and how much is done by contract?

Mr. Rhett. Is this still audit?

Senator McClure. Yes.

Mr. Rhett. Oh.

Senator McClure. Audit and cost analysis.

Mr. Rhett. OK.

A good 85 percent is contracted out; 15 to 20 percent is done in-house.

Senator McClure. Are you satisified that you are saving money by contracting it out?

Mr. Rhett. Very much so.

Otherwise the peaks and valleys would kill us.

CITIZENS' ENVIRONMENTAL ADVISORY COMMITTEE

Senator McClure. Has the Citizens' Environmental Advisory Committee been established yet?

Mr. Rhett. No.

It was put into abeyance until such time as the project in Alaska is certain.

Once that occurs we will start the process over again.

Senator McClure. How much leadtime will you have? You will at some point determine there's a project certain; then you will start to activate again, and get this Citizens' Advisory Committee in place. At some point they need to be performing their work, is that correct?

Mr. RHETT. Yes.

Senator McCLURE. How much time do you have to get that work performed ahead of the work being done in the field?

Mr. RHETT. We have plenty of time.

It will take us about 5 to 6 months to get through the public process of issuing a notice in the Federal Register, receiving comments, et cetera.

Once we have a date certain, there will be a couple of years of preliminary work to keep this committee busy.

I think one of the more important areas that they can help us with is after we start construction.

The environmental community in Alaska has been very, very helpful, I might add, to the sponsor in developing the program to date.

Senator McCLURE. Are they involved in these very difficult engineering tasks that we mentioned earlier?

Mr. RHETT. Yes.

Every engineering decision is looked at across the board, not just from an environmental standpoint, but also from the engineering and cost angles.

Senator McCLURE. I would think the bridge crossing might not be as much concern to them as perhaps it's been in the past?

Mr. RHETT. That is correct.

As long as the gasline goes on the bridge, they're not concerned. If we put in another crossing, then they will become concerned.

Senator McCLURE. How much will be available to support the citizens' committee in 1983? Do you anticipate that they will be active in 1983?

Mr. RHETT. I hope so.

The minute we get a project certain, we will start to move on it. I would not expect to use the whole amount—I think we were planning in the neighborhood of $40,000.

Senator McCLURE. We appropriated $40,000 for the activity in both 1981 and in 1982. Were all of those funds expended?

Mr. RHETT. No.

We're looking over the 1982 budget right now, and a rescission is likely because of the slip.

EEO MONITORING

Senator McCLURE. On page 50 of the justification, you mention that a major contract is expected to be awarded in 1983 to aid the equal employment opportunity staff in its monitoring responsibilities.

This contract will provide periodic, onsite monitoring of sponsor-compliance with approved EEO goals.

Why can't OFI staff conduct those monitoring activities, rather than contract for them?

Mr. RHETT. Senator, this is one of the items that was reduced in response to the schedule slippage. I think, if I remember correctly, about

$500,000 was originally budgeted for this, and now we have about $100,000 in the budget under the revised plan.

But that still does not get to the heart of your question.

The difficulty is whether we should staff to review all the plans that are submitted.

When you have a project of this size, involving many companies, there are thousands of plans to look at.

Of course, not all of them have to be reviewed in detail because some exemptions will be granted.

But then we come to the question of whether it's better for us to staff up internally, or to utilize outside support.

This contract support would not be used for the interface with the companies or the unions.

Senator McCLURE. But, again, you are going to have a problem, of not just looking at their plan, but monitoring it?

Mr. RHETT. Yes.

Senator McCLURE. As I understand, that's what the contract is. Again, why do we say it is less costly to contract than it is to conduct it within OFI?

Mr. RHETT. Our terminology is poor here. The people out monitoring in the field are not going to be contract people.

Senator McCLURE. They are not?

Mr. RHETT. No.

Those are the people on the spreads. It was the overall monitoring program, and maybe overall counseling. It was particularly thought that, in Alaska, some of the native groups might be able to do counseling and related work.

But, for the work on the spreads, I would hope that we could get enough of our own people.

Senator McCLURE. You have indicated that you expect a major contract to be awarded in 1983. Has that slipped?

Mr. RHETT. Yes; that has slipped.

I think the amount has been revised down to $100,000. Let me make sure. I am right, aren't I?

Mr. TRENT. Yes.

Senator McCLURE. I wonder if you could submit for us a little bit more detail on just what it is you expect that contract to encompass, and how you are going to divide the work between EEO staff, your own staff, and staff of contractors, and how that might be delegated or contracted?

Mr. RHETT. Be happy to do it.

[The information follows:]

EEO CONTRACT ASSISTANCE

The monitoring of equal employment opportunities by the OFI is based on a three-part program. The first part concerns the review and approval of the contractors' affirmative action plans containing hiring and contracting goals for minorities and females. The second involves comparing the sponsors' progress reports on EEO hiring and contracting to the approved goals. The final part consists of onsite visits to insure the accuracy of the information contained in the sponsors' reports.

When the fiscal year 1983 budget was prepared, it appeared that the level of construction activity projected would necessitate contract support, to assist in the review of affirmative action plans and onsite monitoring. The contractor would only be hired for a specific task, operating under guidelines developed by the in-house staff. Because the in-house Office of Equal Employment Opportunity staff is only projected to number a total of seven and is responsible for monitoring all three legs of the project, contract support for intensive, yet short term, activities seemed the most efficient and effective way to handle the workload. It would have cost more in the long run to hire full-time Government employees on a permanent basis.

Since the budget request was submitted, the need for and extent of contract support in the EEO area has been more clearly identified. It is now envisioned that the onsite reviews in the field will be performed by the in-house staff. Contract support will instead be utilized primarily for review of affirmative action plans. During the process of reanalyzing contract options in the EEO area, the original funding set aside for such support was also reduced from $500,000 to $100,000.

RELOCATING OFI

Senator McClure. With respect to relocating OFI personnel to Alaska, I understand that will slip 1 year due to the slip in construction startup and the completion date.

How much do you expect this 1-year slip will add to the overall relocation costs?

Mr. Rhett. It saves about $3 million. Approximately 100 people were scheduled to move, which averages about $30,000 a head.

But with the slip, we are reanalyzing the whole relocation. Initially, the concept was to build a force in the lower 48, and then move it to Alaska.

If we start to slip, it may be that we can do more direct hiring in Alaska, and, hopefully, cut down some of these costs. But we budgeted about $3 million in our original fiscal year 1983 request for the relocation.

Senator McClure. You say you'll save some money now. Are you planning then not to have such a large relocation?

Mr. Rhett. We're completely restudying the issue now, to see whether we can reduce those 100 moves to a lesser number, by utilizing more direct hiring in Alaska.

There are problems. Employment in Alaska's getting tight again. There's quite a bit of work going on at the North Slope, and the economy is starting to pick up. Our ability to hire the people that we are hunting for there—engineers, for example—is not the best.

We want to take another hard look at this.

Senator McClure. Before your budget was revised, you estimated relocation costs would be some $3,366,000. That includes shipment of office equipment.

In last year's hearing you reported for the record that the total cost would be $4 million. Why has this figure come down by over $600,000?

Mr. Rhett. I think that is just refinement of the costs of shipments, based on experience we have had to date.

ALASKAN HOUSING MARKET

Senator McClure. Also, last year, we discussed the housing situation in Fairbanks. What is the current housing situation in Fairbanks as compared to Anchorage?

Mr. Rhett. In Fairbanks, it's getting tighter.

The vacancy rate up there is way, way down.

Senator McClure. Is there a possibility you will relocate to Anchorage rather than Fairbanks?

Mr. Rhett. Not really. I'm not saying that there wouldn't be some backup in Anchorage. I feel very strongly that the Federal Inspector and his construction force has to be at the center of action, and that is going to be in Fairbanks.

Now, with a lot of people, a question comes up as to where to locate those employees who may not be directly involved in the day-to-day construction on the line. This will be looked at very closely, but it depends on what the sponsor does. For example, if the sponsor puts its ADP crew in Timbuctoo, we'll be looking at Timbuctoo.

MILITARY HOUSING POSSIBILITIES

Senator McClure. At last year's hearing you promised to look into the possibility of securing housing at Fort Wainwright.

Is there a possibility or a probability that OFI will be able to make use of facilities at that location?

Mr. Rhett. It looks very poor.

Senator McClure. In prospect or in quality?

Mr. Rhett. Both. [Laughter.]

In fact, I think some more military housing has been approved up there.

Only two bases, Wainwright and Eielson are there, so the situation is just not looking very good.

Senator McClure. So you don't anticipate being able to do much there?

Mr. Rhett. I can't see it on the surface. It just doesn't look good, unless conditions change.

Senator McClure. What contacts have you had with the military with respect to the use of Fort Wainwright facilities?

Mr. Rhett. Almost none. There was a little done in the beginning.

But, again, I have not felt that this should be pushed at all until such time as there's a project.

Senator McClure. But it's pushed far enough for you to be able to tell me that it doesn't look very good?

Mr. Rhett. Yes.

Senator McClure. That's what I was getting at.

How far did you go before you decided it didn't look very good?

Mr. Rhett. Well, I have seen most of the bases, because of my experience with the military. I built family housing. I know the situation in detail. I have talked to a number of the people. There were funds in the Military Construction Appropriations bill, and it looks like they are getting ready to build housing.

Senator McClure. That doesn't necessarily mean they don't have any now.

Mr. Rhett. No; I know there are vacancies.

Senator McClure. I've been watching the military for a long time—[laughter]—and just because they're getting ready to build something doesn't mean they don't already have it. [Laughter.]

Particularly when they've got a budgetary buildup like they have now, they are going to try to catch up as much as they can while they've got a good climate.

Mr. Rhett. Yes.

Well, this housing situation is tight. There is a quarterly survey that's done in Fairbanks by the local government there, by the borough, which I get copies of.

And they are analyzing their own housing, plus the situation at Wainwright and Eielson.

Last year, there were still problems, in Fairbanks, with people renting. There was housing available but, month by month, this has been tightening up as the North Slope work starts to increase.

Senator McClure. Are those reports made monthly?

Mr. Rhett. There's a quarterly borough report.

Senator McClure. Would you provide the committee with copies of those reports, please?

Mr. Rhett. Sure.

CONTACTS WITH THE MILITARY

Senator McClure. And would you provide for the record any correspondence or memorandum you have with respect to your contacts with the military about the possible use of Fort Wainwright?

Mr. Rhett. This has all been verbal.

Senator McClure. It's all been verbal?

Do you have any memoranda for file?

Mr. Rhett. No; but I know in general when and where the contacts were made.

Senator McClure. Could you provide that for us, please?

Mr. Rhett. Yes.

[The information follows:]

Contacts on Housing at Fort Wainwright

During the summer of 1979, as part of my initial education on the project, I toured Fort Wainwright to informally survey the existing housing and facilities. My first offical contacts, made during January and February 1980, with the Commanding General of Fort Richardson and Commanding Officer at Fort Wainwright were informal and very preliminary. At that time, I asked about the possibilities of housing being available for OFI personnel. I explained that we expected to move a number of people to Fairbanks for 2 to 3 years but that we had no idea of the number of people involved or the timing of the move. I explained that, if military housing were available, it might solve some of our problems. The discussions were noncommittal. Neither the Commanding General at Fort Richardson nor the Commanding Officer at Fort Wainwright were encouraging. Both indicated that they had a high-occupancy rate and that military personnel were still living in the surrounding communities. It was also explained that arrangements had been made with Eielson Air Force Base to house a number of their personnel. In addition, they were uncertain about future housing availability and requirements in Fairbanks. I stated that I would make additional contacts when more definitive information on OFI's move was available.

I have made no official contacts with the military on housing since February 1980, because the date of OFI's move has not been determined due to the lack of a firm construction schedule. However, my staff and I made a number of informal contacts during this period to assure that we kept up to date with the housing situation, not only at Fort Wainwright, but in the Fairbanks area in general. Informal contacts made in August 1980 and later in 1981 indicated that the housing situation at Fort Wainwright would become more critical as additional military personnel moved into the Fairbanks area, mainly to support Eielson Air Force Base. We also learned that plans to provide additional housing in Fairbanks to alleviate the shortage of military family housing were being discussed.

In addition to these contacts, we have kept abreast of the overall housing situation, including the effects on Fort Wainwright and Eielson, on a regular basis through reports prepared by the Community Research Center of the Fairbanks North Star Borough, the Chamber of Commerce, and Northwest Alaskan Pipeline Co.

BREAKDOWN OF BUDGET FUNCTIONS

Senator McClure. Also, please provide for the record a cost breakdown of the major functions of each of the six budget categories, that is: Permits and compliance, audit and cost analysis, environmental review, engineering review, field surveillance, and executive direction and administration.

Mr. Rhett. OK.

[The information follows:]

FISCAL YEAR 1983 REQUEST BY PROGRAM SUBFUNCTION

Program	Estimate	FTP positions
Permits and compliance	$1,211,000	12
Audit and cost analysis	2,153,000	11
Engineering	8,972,000	36
Environment	1,716,000	15
Field surveillance:		
Alaska offices (Anchorage and Fairbanks)	3,252,000	22
Omaha office	776,000	9
EEO	393,000	5
Subtotal	4,421,000	36
Total, program	18,473,000	110
Executive direction:		
Federal Inspector	374,000	5
General counsel	470,000	8
External affairs	491,000	4
Policy analysis	461,000	5
Subtotal	1,796,000	22

FISCAL YEAR 1983 REQUEST BY PROGRAM SUBFUNCTION—Continued

Program	Estimate	FTP positions
Administration:		
Director	$293,000	4
Contracts management	336,000	6
Financial management	487,000	6
Personnel	404,000	6
Management information systems	[1] 1,043,000	4
Internal audit and security	204,000	3
Support services	[1] 1,234,000	10
Subtotal	4,001,000	39
Total, executive direction and administration	5,797,000	61
Total, agency	24,270,000	175

[1] Represents the cost for services provided to executive direction and administrative staffs only and for the staff assigned to administer these areas.

OFFICE OPERATING COSTS

Senator McClure. Finally, would you also please provide for the record a breakdown of the costs incurred to operate each of the OFI's offices?

Mr. Rhett. Yes, sir.

[The information follows:]

FISCAL YEAR 1983 REQUEST BY OFFICE LOCATION

Location[1]	Estimate	(Estimated[2]) (Overhead)	FTP positions
Washington, D.C	$7,397,000	($1,034,000)	79
Alaska (Anchorage and Fairbanks)	4,511,000	(630,000)	36
Irvine, Calif	10,875,000	(544,000)	50
Omaha, Nebr	1,487,000	(208,000)	10
Total	24,270,000	(2,416,000)	175

[1] The Washington office includes the executive direction and administrative staffs, the Office of Compliance, 60 percent of the audit and cost analysis staff, and a staff liaison for the Office of Environment. The Alaska offices include all field personnel based in Anchorage and Fairbanks, as well as 60 percent of the Office of Environment staff. The Irvine office is comprised of all the engineering staff, 30 percent of the environment staff, and 20 percent of the audit and cost analysis staff. The Omaha office includes all field personnel assigned to oversee the eastern leg and 20 percent of the audit and cost analysis staff.

[2] The total for estimated overhead represents central support items such as office space rental and telecommunications; health services; repairs and maintenance; postage and freight; and minor supply and equipment inventories.

NOTE: While estimated amounts are shown for the overhead costs of each office location, the actual control over the bulk of these costs is, except for Irvine, maintained by the Washington office. Minor procurements of goods and services are, however, conducted by the Alaska and Omaha office. A separate Irvine support account was established because of the numbers and mix of program personnel based there.

Centralization of control at the headquarters office was instituted to accommodate the relatively small size of the agency and to avoid overlapping of administrative personnel at each field site. Because Irvine has its own support account, it is also the only field office to which an Office of Administration employee is assigned.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. The committee would appreciate it if in the future this information could be provided in the justification, to help us in monitoring that.

Mr. RHETT. Right.

Senator McCLURE. Mr. Rhett, thank you very much for your testimony this morning. If there are any further committee questions, we will submit them in writing.

Mr. RHETT. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Prevention of Welding Problems in the Future

Question: What steps has OFI taken internally to more closely monitor and, hopefully, prevent welding and other construction difficulties in the future?

Answer: The role of the OFI during construction is to monitor the sponsors' systems performance, allowing them to function without unnecessary regulation. A properly functioning system cannot always avoid problems; however, it should react in a timely fashion to solve those problems that do occur.

During 1981, the sponsors' systems functioned fairly well, although the response to the weld cracking and the river crossing delays was not as fast as we would have liked. Changes have been made in the sponsors' systems to prevent reoccurrences. Our experience with these problems should help us avoid similar problems in the future. In addition, the OFI field inspectors received training in welding and nondestructive testing during this past winter. This training was designed to make them more capable of recognizing the indications that a serious problem might exist and better assessing the quality of the work.

The OFI has also assembled a manual, "Compliance Policies and Procedures", which is designed to establish consistent, specific methods for monitoring construction activities and system performance. Data will be gathered, assembled, and analyzed to determine if there are unsatisfactory trends or signs of future trouble. To provide reinforcement to the field surveillance staff, technical experts will be utilized periodically to accompany them on on-site inspections.

Finally, Special Observations (SO), which were a part of the 1981 OFI monitoring program, will be continued through 1982. These SOs involve a team of experts which evaluates a specific system, such as quality control, or aspects of a system, such as welding, and then provides input to resolving any problems which surface. We are confident that all these actions will provide strengthened OFI oversight without unnecessarily duplicating the sponsors' inspection efforts.

San Francisco Office Closing

Question: What will the costs be to reopen the office when Phase II construction begins? How do these total figures compare to the costs of keeping this office open during the interim period, even with a "skeleton crew?"

Answer: The direct costs of reopening the San Francisco office are estimated at $50,000. This represents the costs of the efforts to locate and outfit a new office as well as to recruit personnel. Combined with the direct costs of $33,000 to close down the San Francisco office (severance payments, removal of equipment, etc.), the total close/reopen cost comes to $83,000.

We have determined that it would have cost approximately $750,000 to keep the San Francisco office operating with a skeleton crew from April 1, 1982, (when it did close) to April 1, 1985, when it is expected to reopen again under the 1987-88 schedule. When we compare the costs to keep the office operating against the costs of closing and reopening it, a savings of approximately $667,000 results.

Extent of Audits Done Under Contract

Question: How extensive are the audits conducted by the contractor? Are extensive audits of the pipeline sponsors necessary or would spot checks be adequate in most cases?

Answer: OFI rate base audits are similar to those traditionally performed by the FERC. Two unique features, however, are that (1) the audits are being performed on a quarterly basis; and (2) they include an ongoing evaluation of the OFI-approved management systems. The ongoing audit concept resulted from the need, as expressed by the project sponsors, to provide greater "regulatory certainty" to facilitate project financing, and to allow "up front" evaluations so that necessary corrective actions can be taken during construction to avoid cost overruns and minimize the potential for costs later being disallowed from the rate base.

The use of a Certified Public Accounting firm, Main Hurdman, for these audits removes our need to hire an in-house staff; it allows greater flexibility for adapting to changing project audit needs; and it is in keeping with the latest Government guidelines regarding the use of contract services where possible.

There are three audit groups involved with the rate base audits: the company's external auditors, the company's internal auditors, and OFI/Main Hurdman. It is standard practice that OFI's auditors perform a review of the audit work performed by the company's auditors at the outset of the audit. The purpose of this review is to determine the extent of reliance that OFI's auditors can place on the other work by the company's auditors. For the Alaska Natural Gas Transportation System, the company's external accountant during construction performs an extensive quarterly rate base and financial management systems audit, issuing a report with an opinion as to the rate base allowability of claimed costs and compliance with the applicable laws, regulations and approved systems. The OFI audit staff coordinates the overall audit effort and administers the technical aspects of the audit contract. The OFI audit makes maximum use of the other work and performs the necessary checks and tests so that the required independent opinion can be expressed.

We are of the opinion that OFI's audit procedures are essential to accomplishing the above stated goals; further, the OFI audit has been kept to a minimum by encouraging self-policing through the company's use of independent external accountant review prior to submitting rate base costs for approval.

Audits Minimize Risk of Excessive Costs

Question: Without extensive audits on a regular basis, do you feel there is a higher risk of excessive and improper costs being included in the rate base? If so, please explain why.

Answer: Yes. Without the ongoing audit coverage, as previously discussed, the OFI would not have timely feedback to implement actions designed to prevent or minimize charges not allowable in the rate base and cost overruns during construction. The project's financial backers would not receive interim assurances concerning eventual cost recovery of capital expenditures. The history of the Trans-Alaskan Pipeline System documents the need for timely information in order to better protect both the consumer and lender by minimizing construction costs.

Environmental Assessment of Prebuild Construction

Question: You indicate on page 44 of the justification that you plan to conduct an intensive environmental review of Phase I construction during FY 1983. With the budget reduction, do you still plan to do this study? If so, when will it get underway and when will it be completed? Will this be an in-house review or will it be under contract? How much will this review cost?

Answer: The environmental followup study on Phase I construction is still planned for FY 1983; prebuild activities were not affected by the reduction in the FY 1983 budget, because the revisions were basically necessitated by the slippage in Alaskan construction.

Currently, Office of Environment staff are involved in an evaluation of construction rehabilitation techniques and revegetation success on the Eastern Leg. The field portion of this study will take place during July 1982. An evaluation of a similar nature and extent is anticipated for the summer of 1983 to assess rehabilitation success in North Dakota where construction on the Eastern Leg is being completed this summer. No contract support for this effort is envisioned.

The total cost for the environmental assessment of prebuild construction is estimated at $30,000 for staff time and travel. Approximately $15,000 will be required for the summer 1982 study, and $15,000 for work conducted in FY 1983.

DEPARTMENT OF THE INTERIOR

BUREAU OF MINES

STATEMENT OF HON. W. PERRY PENDLEY, DEPUTY ASSISTANT SECRETARY FOR ENERGY AND MATERIALS, U.S. DEPARTMENT OF THE INTERIOR

ACCOMPANIED BY:

ROBERT C. HORTON, DIRECTOR, BUREAU OF MINES

DR. JOHN D. MORGAN, JR., CHIEF STAFF OFFICER, BUREAU OF MINES

DR. HERMANN ENZER, CHIEF ECONOMIST

DR. THOMAS A. HENRIE, CHIEF SCIENTIST

WILLIAM D. OYLER, CHIEF, DIVISION OF BUDGET

JOSEPH L. PATRICK, ACTING CHIEF, DIVISION OF HEALTH AND SAFETY

WILLIAM L. MILLER, ASSISTANT DIRECTOR, MINERALS AND MATERIALS RESEARCH

JOSEPH W. GORRELL, DIRECTOR, OFFICE OF BUDGET

BUDGET REQUEST

Senator McCLURE. We will now turn to the Bureau of Mines, whose fiscal year 1983 request is $124,676,000. This represents a reduction of $21,209,000, or 15 percent below the fiscal year 1982 appropriated level.

There is also pending before the subcommittee a fiscal year 1982 supplemental request of $4,073,000 for construction of a new facility near Bruceton, Pa.

Representing the Department of Interior this morning will be Mr. W. Perry Pendley, Deputy Assistant Secretary for Energy and Minerals; and Mr. Robert C. Horton, Director of the Bureau of Mines.

I want to welcome both of you gentlemen before the subcommittee this morning. I believe it is the first appearance for each of you before this subcommittee.

As we yet have another agency to hear from this morning, I must ask you to keep your opening statements as brief as possible; the full statement will, of course, be made a part of the record.

Mr. Pendley?

Secretary PENDLEY. Thank you, Mr. Chairman.

We have submitted prepared statements, Mr. Chairman, and in recognition of your request, I would say a few words in introduction.

ADMINISTRATION POLICY

Today marks the first opportunity for both Director Horton and I to appear to speak of the President's recently announced materials and minerals policy. that he announced on the 5th of April, just a couple of weeks ago.

I think that that is a remarkable document. It marks the first time in some three decades that a President has declared a national minerals policy. And I think that the policy the President announced is stronger, and a more articulate document than any previously prepared and submitted by an administration.

ADMINISTRATION POLICY—BUREAU ROLE

Much of the President's document relates to the activities of the Bureau of Mines, and the Bureau of Mines will play a leading role in the years ahead in the development of that policy; particularly with regard to research and development activities and the strategic and critical minerals area; and as the focal point for the greatest accumulation of minerals-related expertise in the Nation, and, in fact, in the world.

We have made significant changes in the research and development activities of the Bureau of Mines, initiated first in February 1981, with a dramatic shift of some $8.6 million, and following that with increases that we are asking for in 1983 as well.

I might mention, Mr. Chairman, two changes that we have adopted in the budget:

One relates to the minerals institutes which the Secretary and the Assistant Secretary believe are better funded through the private sector, and represent a decrease of some $9 million; and some significant changes in the approach to the health and safety area.

This administration, of course, is very concerned about maintaining safe operating conditions in our mines as we move aggressively ahead with energy and mineral development in America; but at the same time we realize that the fundamental responsibility and focus of that expertise can take place in the private sector.

We have a mature health and safety research program that can now turn to focus on long-term activities, and ask the private sector, under the incentives of a strong health and safety regulatory program, to undertake these new activities.

We think it's an excellent program, a very supportable program, Mr. Chairman; and we are proud to present it for you today.

Thank you.

Senator McClure. Thank you.

Mr. Horton, do you have any statement you wish to make at this time?

PREPARED STATEMENTS

Mr. Horton. I submitted a written statement, and rather than taking time now, I'll be glad to answer questions.

Senator McClure. Thank you.

The statements are, of course, a part of the record.

[The statements follow:]

Statement of W. Perry Pendley

Mr. Chairman, I am pleased to appear before you today to present a brief overview of the Administration's 1983 Budget priorities for the Energy and Minerals bureaus. The respective Directors of the Geological Survey, Minerals Management Service, Bureau of Mines and Office of Surface Mining will present more detailed statements commencing today with the statements by the Directors of Geological Survey and Minerals Management Service.

The Minerals Management Service was established by Secretarial Order No. 3017, which was signed on January 19, 1982. The Minerals Management Service is the former Conservation Division of the Geological Survey, and is funded under the Conservation of Lands and Minerals budget activity within the appropriation for Surveys, Investigations and Research. The Acting Director of that Service will discuss the 1983 Budget for the Conservation of Lands and Minerals activity.

The overall FY 1983 Budget for the Energy and Minerals bureaus is $803.2 million in new budget authority. This is a $5.5 million, or a less than one percent, reduction from the FY 1982 current estimate of $808.7 million and is a $23.3 million, or less than three percent, reduction from the 1983 Base estimate of $826.5 million.

Within these overall totals, however, there are significant shifts of resources among the Bureaus as shown in the following table:

Budget Authority
$ Millions

	1982	1983		Change from 1983 Base to 1983 Est.	
	Est.	Base	Est.	$	%
Geological Survey	374.4	392.9	389.4	-3.5	-0.9
Minerals Management Service	122.3	120.5	128.5	+8.0	+6.6
Subtotal GS/MMS	496.7	513.4	517.9	+4.5	+0.8
Bureau of Mines	151.4 A/	151.9	125.5	-26.4	-17.3
Office of Surface Mining	160.6	161.2	159.8	-1.4	-1.0
Total	808.7 A/	826.5	803.2	-23.3	-2.8

A/ Includes a 1982 supplemental for $4.1 million plus $0.6 million transferred from the Office of the Secretary.

Note: All comparisons of amounts for programs that are used in this statement are between the 1983 base and the amounts recommended in the President's 1983 Budget.

Further, within the overall total for each bureau we are recommending funding for important initiatives through a redirection of budget resources. These initiatives reflect the Administration's recommendations for the highest priority uses of our budget resources.

In developing this budget we placed highest priorities on programs and activities which would:

-- reduce our dependence on foreign sources for energy and minerals by development of our own natural resources;

- -- ensure a full and fair return to the American public and to the Treasury;
- -- ensure that States have the resources to regulate and then reclaim lands undergoing surface mining; and
- -- increase research, especially in the fields of strategic and critical materials, acid rain and toxic wastes.

Specifically the highest priority energy and minerals increases are for the following programs and activities:

- -- Minerals Management Service and Geological Survey combined funding to support Outer Continental Shelf oil and gas leasing is increased by $3.8 million from $85.1 million to $88.9 million. These increases in budget resources are essential to support the accelerated Outer Continental Shelf 5-year leasing program which is America's best hope of reducing our dependence on foreign energy resources.
- -- Minerals Management Service royalty management is increased by $6.8 million from $15.1 million to $21.9 million to provide funding for some of the most critical steps needed to improve that archaic system. Additional budget resources may be required to implement all of the 60 recommendations of the Linowes Commission. We intend to meet or exceed the goals of all those recommendations in order to ensure that the American people receive their full and fair return from the development and sale of their resources. Therefore, priority consideration now is being given to potential funding increases for royalty management in both 1982 and 1983.
- -- Minerals Management Service funds in the amount of $1.5 million are recommended to be redirected in the Federal and Indian lands oil and gas program to provide for more frequent and thorough inspections of producing wells and related treatment facilities while conducting random inspections aimed at reducing the unauthorized removal of oil from Federal and Indian leases.
- -- Office of Surface Mining grants to States in total, for both regulation and reclamation, are increased by $28.4 million, or more than one-third, from $83.5 million to $111.9 million as the States achieve primacy in both their regulatory and the mined land reclamation programs. Further, the President's Budget makes clear that if States obligate reclamation grant funds at a faster rate than now projected, favorable consideration would be given to a 1983 supplemental.
- -- Bureau of Mines program funding for research on strategic and critical materials is increased by $1.6 million from $21.6 million to $23.2 million. It should also be noted that the current Mineral Resources Technology base for 1983 reflects an increase of $6.4 million above the original 1982 Budget for research on critical and strategic materials by shifting resources from other areas. Finally, there is a $1.3 million increase for Geological Survey research efforts to assist in developing new methods for identifying deposits of these minerals. These increases for strategic and critical materials research all are aimed at reducing our dependence on foreign sources of supply and are in accordance with the mandate of Congress under the National Materials and Minerals Policy, Research and Development Act of 1980.
- -- The National Materials and Minerals Policy, Research and Development Act also mandated a report to the Congress regarding actions taken by the Administration to implement it. On April 5, 1982, the President submitted the required report to the Congress. This report is the first such Presidential commitment to these issues in nearly three decades. The increases recommended in the Bureau of Mines and Geological Survey 1983 Budgets for research on

strategic and critical materials are consistent with the President's April 5 report.

-- There are other increases throughout the budget for mineral resource surveys, applied and basic geologic research, Outer Continental Shelf reserve inventory, oil and gas resource information and the Barrow Gas Field, all of which I also strongly recommend.

To achieve the increases recommended in these vital programs, it was essential that we fashion reductions in other programs to be consistent with the overall austerity of the President's 1983 Budget. These reductions are achieved through a number of means including:

-- greater reliance on industry or State and local government funding;

-- a new approach under which Bureau of Mines research and development efforts are focused on high-risk projects with long-term payoffs--the type research unlikely to be undertaken by the private sector but which is of benefit to all Americans; and

-- deferral of otherwise desirable programs until there is a more complete economic recovery.

Specific programs recommended for major reductions or termination include the following:

-- Bureau of Mines Mineral Institutes Program which is recommended for zero new funding compared to the $9.2 million appropriated in FY 1982. No new funding is requested because we believe these institutes are not uniquely Federal and, consequently, they have available to them other sources of public and private support;

-- Office of Surface Mining funded Federal reclamation projects are reduced by $18.7 million from $28.1 million to $9.4 million paralleling an increase of $19.4 million in reclamation grants to the States from $59.1 million to $78.5 million. The remaining Federal funds will be limited to emergency projects.

-- Bureau of Mines Health and Safety and Environmental Research is recommended to be reduced from $57.9 million to $44.1 million, or a reduction of $13.8 million. The reductions in these programs reflect the policy decision to focus Bureau research on high-risk projects with long-term payoff. Industry has a powerful regulatory and economic incentive to carry out with its own resources the research we're cutting back in these areas.

-- There are other reductions based on our view that these Federal activities could be offset by efforts on the part of State or local government or industry. In addition, in the face of austerity budgets and national concern regarding deficits, some ongoing activities must be funded at reduced levels--at least at this time. Examples of these kinds of reductions include: earthquake and volcano hazards research; uranium and thorium, geothermal, and oil shale investigations; Federal coal drilling; and the mineral information program.

From this brief summary of major funding changes it is clear that the budget for the Energy and Minerals bureaus reflects the austerity of the President's overall 1983 Budget. However, it also is clear that it reflects the allocation of budget resources to provide substantial increases for programs where there are urgent funding requirements with the greatest return to the American people.

The results of the combined effects of overall reductions in the totals while funding urgent increases are widespread reductions over many programs. In recognition of these results, steps are being planned throughout the energy and minerals programs to assure a continuity of efforts--even though it now will clearly take longer than previously was planned to complete many projects.

I believe the 1983 budget for Energy and Mineral bureaus represents a thoughtful allocation of limited budget resources in the context of the President's efforts to strengthen the Nation's economy. The budget for these bureaus merits favorable action by the Congress and I recommend it to you.

STATEMENT OF ROBERT C. HORTON

We are pleased to be here today to discuss the Bureau of Mines' budget request of $125,476,000 for fiscal year 1983.

This budget is consistent with the President's April 5 materials and minerals policy objectives. The Bureau of Mines fully supports the President's commitment to focus National attention on problems that affect both domestic and foreign availability of mineral supplies.

The budget request is $26,448,000 less than our 1983 base and $21,209,000 less than our 1982 appropriations. Of this decrease, $8,411,000 results primarily from a change in emphasis in research and development projects toward more basic work of wide generic application that offers high potential benefits in the long-term; and $3,554,000 results from completion of required mineral assessment work. The remaining $9,244,000 of the decrease represents a decision not to request funding for the Mineral Institutes. Funding for them was provided to the Bureau of Mines in fiscal year 1982 by the Congress. Accordingly the program was transferred to the Bureau from the Office of Surface Mining effective February 1, 1982. Funding is not requested because we believe the Mineral Institutes are not uniquely Federal and consequently they have other sources of public and private support available to them.

As has been reported to the Committee, the Advisory Committee on Mining and Mineral Research developed a plan for consolidating the research project grant portion of the Mineral Institutes program. The plan calls for funding 4 or 5 "Centers of Generic Mineral Technology." In FY 1982 these Centers will each receive "seed-money" grants of about $1 million each. These funds will be available for use over a period of years to permit orderly initiation of research that will attract more and continuing industrial participation.

Beginning in fiscal year 1982 and continuing into fiscal year 1983, the Bureau has increased its efforts to alleviate the Nation's problems with respect to strategic and critical materials. A 1983 program increase of $1,586,000 is proposed for additional research on strategic and critical materials, bringing the total to $23.2 million. This represents an overall increase of $8 million for this type of research above the original 1982 budget.

The 1983 request contains a new activity, General Administration, which was formed from the 1982 Common Program Services budget. In the 1982 budget these amounts were included with the Bureau's research and information programs. In the 1983 budget, these amounts have been extracted to fund the General Administration activity.

Effective October 1, 1981, the functions of the Office of Minerals Policy and Research Analysis (OMPRA) were transferred from the immediate office of the Assistant Secretary—Energy and Minerals to the Bureau of Mines. Nineteen full-time equivalent (FTE's) and $644,000 (the same level of resources as transferred in 1982) are included in the 1983 request for the Data Collection and Analysis program as a result of this transfer. The transfer of the Office has improved the Bureau's analytical capabilities and enhance accomplishment of its mineral development responsibilities.

The Construction and Rehabilitation activity provides for the engineering, design and construction of a new facility at the Bureau's installation near Bruceton, Pennsylvania. This is a replacement facility for the Bureau's activity now located at 4800 Forbes Avenue, Pittsburgh, Pennsylvania. Public Law 96-543 authorizes not more than $5,400,000 to be appropriated for this facility. Congress directed that $336,000 be made available in fiscal year 1982 for engineering and design within the Mines and Minerals 1982 appropriation. The Bureau is requesting a 1982 supplemental appropriation of $4,073,000 and approval to use $991,000 of unobligated balances from the Drainage of Anthracite Mines account to construct the facility. The FY 1982 amounts equal the authorization and therefore, no additional funding is needed or authorized to be requested in fiscal year 1983.

We are extremely pleased that after approval by the Secretary on February 1, 1982, we have an organization in the Bureau of Mines that will make the Bureau more responsive to the Nation's pressing needs in mineral policy formulation and in research. Streamlining the organization places greater emphasis on the line functions which are the strength of the Bureau.

The new organization components were in essence completely staffed and operational by March 31, 1982. This budget before you was prepared well before the new organization was approved. It therefore does not yet reflect the budget title changes which we shall consequently wish to make. In accordance with standing instructions, we will seek the Committee's approval of any changes in budget structure prior to submission of the budget for fiscal year 1984. We do not anticipate any major changes but would probably seek to retitle and align our subactivities with the new organizational units insofar as possible. One significant component of the reorganization included transfer of the Bureau's mined land demonstration work, under various authorities, to the Office of Surface Mining. Fifty-two persons were accordingly transferred effective March 22, 1982.

Mr. Chairman, I would like to highlight the budget request for each of our program areas and mention a few of our accomplishments during the past year.

HIGHLIGHTS OF 1983 BUDGET

Of our 1983 request, $124,676,000 is for our Mines and Minerals appropriation and $800,000 is for use of trust funds deposited by States, local governments and private organizations with which the Bureau will conduct cooperative projects. The Mines and Minerals request includes $77,946,000 for research, $25,835,000 for information and analysis activities, and $20,895,000 for general administration.

Research Programs

Our 1983 request of $77,946,000 for research programs includes $37,823,000 for Minerals Health and Safety Technology, $6,235,000 for Minerals Environmental Technology, and $33,888,000 for Mineral Resources Technology.

The 1983 request of $37,823,000 for the Minerals Health and Safety Technology program will continue highest priority research designed to: (1) develop a safe work environment to reduce injuries and continue the historic downward trend in fatalities; (2) promote a healthy work environment and thereby reduce disabling diseases and associated compensation payments; and (3) continue the transfer of new health and safety technology into mines and mineral processing plants. The proposed program decrease of $9,467,000 reflects a policy initiative that federally funded research and development emphasize basic research of a generic nature with long-term payoff. We believe industry has strong incentives to carry out, with its own resources, the research we are recommending be reduced. As a result of the 1981 tax legislation and with the continuing efforts of the Bureau of Mines to encourage industry participation in cooperative research, it is expected that industry will assume greater responsibility for funding demonstrations of Bureau developed technology including short-term research where an immediate benefit in improved health or safety can be achieved.

The goal of the Bureau's Minerals Environmental Technology program is to develop techniques to minimize undesirable environmental impacts associated with the production of minerals. The proposed program decrease of $4,329,000 results from our emphasizing higher priority basic research of a long-term high-risk nature related to the production of strategic and critical minerals from domestic resources. Specifically the 1983 request of $6,235,000 will allow progress in the areas of waste management, water management, subsidence prevention and control, reclamation technology and blasting, whereas efforts in specific lower priority areas such as process waste stream treatment, in-situ leaching, general environmental noise control, and non-coal revegetation will be reduced or deferred.

The Bureau's Mineral Resources Technology program is supportive of the Mining and Minerals Policy Act of 1970 and the National Materials and Minerals Policy, Research and Development Act of 1980, and the Administration's National Materials and Minerals Program Plan of April 5.

The structure of, and economic forces acting on, the mineral industry inhibit the broad level, long-range and high risk research and development which can provide options for responding to potential problems related to the availability of strategic and critical minerals. The objective of the Mineral Resources Technology program is to perform such research. The research program, for which a program increase of $1,586,000 and a total of $33,888,000 is being requested in fiscal year 1983, will develop knowledge for technological solutions to reduce requirements for and improve the supply of critical and strategic minerals through conservation, substitution, and increased economic recovery of minerals and metals from domestic resources.

The program increase of $1,586,000 requested for fiscal year 1983 will aid in recovering and conserving strategic and critical materials, including chromium, nickel, tungsten, and cobalt, through research on mineral processing techniques and recycling technologies.

Mr. Chairman I mentioned earlier the Bureau's efforts to stimulate increased cooperative research with industry, which is an essential component of our program and budget strategy. We have been aggressively working with the mining and mineral processing industries, especially the non-ferrous and iron ore companies, in establishing research associations to conduct cooperative research programs. Industry has been contacted and has agreed in principle. In the initial phase of this effort, a research association is being organized to conduct cooperative research on comminution (crushing and grinding) with participation from the Bureau of Mines, iron ore, non-ferrous metals, phosphate and portland cement companies, as well as grinding equipment manufacturers and engineering companies. This association will provide a framework within which industry can assume a greater portion of the Nation's commitment to minerals research. It is planned to broaden the scope of these activities through formation of other such associations. The results of these actions are expected to have a significant beneficial impact on progress toward resolving technological problems facing the Nation's minerals industry. We are enthusiastic about the long-range prospects for increasing coordinated industrial financing of mining and minerals research. We shall keep the Committee apprised of significant developments and we solicit your support of this important effort.

Minerals Information and Analysis Programs

We are requesting $25,835,000 for minerals information and analysis activities: $20,408,000 for our Data Collection and Analysis program and $5,427,000 for our Land Assessments program.

The Data Collection and Analysis program collects and makes available worldwide information on approximately 100 nonfuel minerals. Using this information, analyses are performed to provide policy input, including assessments of international mineral supplies. There will be continuing efforts to provide coordination of nonfuel mineral data and analysis systems at the Federal Government level. No program change is proposed in this area.

The request for Land Assessments supports current schedules for Forest Service Wilderness and RARE II Further Planning Areas Studies. The program decrease of $4,085,000 is the result of fewer acres scheduled for assessment (since this phase of the program is nearing completion) and reduced per acre costs.

General Administration

We are requesting $20,895,000 for General Administration in fiscal year 1983. This activity provides executive direction and administrative operations for the Bureau of Mines. In forming this activity from the old Common Program Services, costs for three items (Pittsburgh/Bruceton facility services, GSA space charges, and Bureau ADP services) are included, as appropriate, with the programs using these items or services. In fiscal year 1983, a program decrease of $909,000 is requested primarily as a result of operating efficiencies and to reflect reductions in operating programs.

RECENT ACCOMPLISHMENTS

The Bureau of Mines has a long tradition of significant accomplishments, and I would like to highlight a few recent examples for you now.

Minerals Health and Safety Technology:

- A new water spray system called the "shearer-clearer" was developed to reduce the respirable dust exposure of longwall shearer operators. This system, or variations, is now being used by 24 longwall operations.

- A longer-than-seam height drill developed through Bureau research won the Industrial Research (IR) 100 award for design excellence in 1981. The drill facilitates installation of roof bolts in coal mine entries requiring bolts longer than the seam thickness.

- A device called the Geodynamic Accumulated Strain Sensor, which permits accurate measurement of accumulated strain or dynamic changes in strain in rocks, received the IR-100 award in 1981.

Minerals Environmental Technology:

- A "controlled burnout" system for the control and extinguishment of coal mine and waste bank fires is being demonstrated. The system captures heat which can potentially be used for the generation of electricity to offset costs of extinguishing fires. Both local government and industry groups have shown interest in commercial implementation.

Mineral Resources Technology

- The Bureau has developed technology that would conserve chromium through the economic regeneration and recycling of etching solutions which are used for various surface treatments.

- Bureau research to design a retractable diamond bit system for core drilling in deep underground mines has been completed. The system was recognized by the receipt of an IR-100 award.

- Through the Bureau's asbestos research, a new family of glass fibers has been discovered which has the potential of replacing asbestos in some of its uses.

- Bureau research on ion exchange resins to recover tungsten from geobrines was recognized as a significant technical achievement and received an IR-100 award.

- Fiber-reinforced materials have been studied and shown to have properties that would allow their substitution for some chromium-base alloys. These materials are intended to provide comparable performance to currently used materials so that a domestic alternate will be available.

Data Collection and Analysis:

- Availability analyses of chromium, nickel, cobalt, manganese, and phosphate rock from domestic resources, and copper, aluminum, and platinum from worldwide resources have been completed by the Minerals Availability System (MAS). The MAS was also used by the General Accounting Office in their study of the effects of depletion allowance on the domestic mining industry (EMD - 81-13).

- Sixteen major data base and system components have been integrated into the Automated Minerals Information System (AMIS). Included are the summary data base for seven strategic and critical minerals.

- Mineral policy studies have been completed for three critical minerals: cobalt, chromium, and manganese. These analyses consider the question of U.S. vulnerability to a supply disruption and the effectiveness of alternative policy initiatives including a Strategic Stockpile release and a price support program for domestic production.

Land Assessments:

- By the end of FY 1981, the Bureau and the U. S. Geological Survey jointly published reports on Forest Service Wilderness areas totaling 21.3 million acres out of the 25 million acres originally planned.

General Administration

- The publication process for research findings and economic studies has been accelerated significantly. This process now permits the availability of summary reports on assessments of mineral potential on RARE II and proposed wilderness lands within two weeks of completion; and the publication of the three volumes of the Minerals Yearbook within 16 months of the end of the year for which the data were collected.

Mr. Chairman, that concludes my prepared remarks, and we shall be pleased to respond to any questions you may wish to raise.

BIOGRAPHY OF W. PERRY PENDLEY

Native of Cheyenne, Wyoming.

J.D., College of Law, University of Wyoming, Laramie, Wyoming, May, 1976.

M.A., Public Affairs, George Washington University, Washington, D.C., August, 1968.

B.A., Public Affairs, George Washington University, Washington, D.C., May, 1967.

Minority Counsel, Mines and Mining Subcommittee, Interior and Insular Affairs Committee, U.S. House of Representatives, Washington, D.C. from January, 1978 to January, 1981.

Legislative Assistant, U.S. Senator Clifford P. Hansen, United States Senate, Washington, D.C. from August, 1976 to January, 1978.

Captain, United States Marine Corps. March, 1969 to August, 1973. Naval Flight Officer.

In 1980, President-elect Reagan appointed Mr. Pendley as a member of his Strategic Minerals Task Force responsible for submitting to the President recommendations for achieving a national strategic minerals policy.

Mr. Pendley was appointed by Secretary of the Interior James G. Watt in March, 1981. He has been instrumental in formulating energy and minerals policy, and has direct oversight over Interior's U.S. Geological Survey, Office of Surface Mining, and Bureau of Mines.

BIOGRAPHY OF ROBERT C. HORTON

Robert C. Horton became Director of the Bureau of Mines, U.S. Department of the Interior on September 22, 1981.

From May 1976 until his appointment by President Reagan, Mr. Horton was with the Bendix Field Engineering Corporation, first as a regional geologist in Reno, Nevada, and, from May 1977 to August 1981, as Director of the Geology Division in Grand Junction, Colorado. In that position, he was responsible for coordinating work on the National Uranium Resource Evaluation Program, overseeing 11 departments, a staff of 150, and nine field offices.

Mr. Horton was a mining consultant in Reno from 1972 to 1976, examining mines in the western United States, Canada, and Mexico, and was vice president of Transcon Industries, Inc., a small conglomerate with interests in petroleum and electronics, from 1967 to 1971. From 1956 to 1966, he was with the Nevada Bureau of Mines, rising to the position of Associate Director in 1965. While there, Mr. Horton also served, from 1959 to 1966, as Executive Secretary of the Nevada Oil and Gas Conservation Commission. From 1944 to 1946 and again from 1953 to 1955, he served with the U.S. Navy.

A native of Nevada, Mr. Horton received a B.Sc. degree in geological engineering from the Mackay School of Mines, University of Nevada, in 1949. He has authored more than 30 scientific and technical reports and articles. A registered Professional Geological Engineer, he served on Advisory Mining Boards for two Nevada governors, from 1967 to 1973. He is a member of the American Institute of Mining, Metallurgical, and Petroleum Engineers and the Society of Economic Geologists.

Mr. Horton was born July 25, 1926, in Tonopah, Nevada.

SHIFT IN RESEARCH PRIORITIES

Senator McClure. I have a number of questions and I have rather restrained time; so I suspect that what I am going to have to do is to submit some for the record, as perhaps others of the committee will wish to do.

The Bureau of Mines has continued to shift its research priorities. Health and safety has been reduced by some $8 million, and environmental technology has been reduced by some $4,200,000 from the 1982 levels.

At the same time, mineral resources technology continues to be increased, this year, by some $2,600,000 over the 1982 level.

While these proposals perhaps represent appropriate policy shifts of this administration, do they, in fact, represent a long-term strategy?

Secretary Pendley. Mr. Chairman I will give a brief response, and then turn to the Director for additions.

In fact, I think you've touched upon the key aspect of the changes. They are a long-term focus.

One of the problems in the past has been that many of our research activities have been focused on short-term problems, problems that are more easily done by the private sector.

We think the best use of the incredible talent that's in the Bureau of Mines, and the tremendous expertise that they've accumulated over the past 72 years, is to focus on the long-term, high-risk R. & D., particularly with regard to the safety activities.

And the best thing that we could do is increase our cooperative agreements with the private sector to insure that we examine these research projects that are better done by the private sector.

With regard to the strategic and critical minerals activities that we've dramatically increased, Mr. Chairman, we feel that it was incumbent upon this administration to take that action as a result of the Materials and Minerals Policy and Research and Development Act of 1980, which passed through your Senate Energy Committee, in the 96th Congress.

We felt that was an important piece of legislation. It called for those dramatic increases in R. & D., and we've taken that action.

INDUSTRY SUPPORT OF HEALTH AND SAFETY RESEARCH

Senator McClure. With respect to health engineering technology, you indicate there has been some industry support of research activities in the five major areas of respirable dust, radiation hazards, noise control, industrial hygiene, and ventilation.

What has been the industry's contribution over the past 10 years compared to the Federal contribution?

Mr. Horton. I don't know if we'd be able to give you a dollar value; the contributions have been both in direct expenditures and large contributions made of services and equipment.

Senator McClure. Well, there needs to be some distinction between the ongoing activities in the industrial operations facilities and that which is truly research activity. As I understand it, the thrust of the Department's budget request is that the private sector is going to bear these costs.

Now you indicate you can't tell me how much they have spent on these costs? Is that correct?

Mr. HORTON. Well, Mr. Chairman—for a full listing of the expenditures and contributions, we don't have that available.

But I have some of my people here that could give you some specific examples.

Senator MCCLURE. Well, if you could give specific examples, or, for the record, a listing of what our private industry has done in research activities in those five major areas?

If we're going to rely upon the private sector to do it, I'd like to be able to see some track record of the private sector.

Or are we just betting on the come?

Secretary PENDLEY. Well, the cooperative agreement is a long-term initiative that's been undertaken by the Bureau of Mines. There are a number of examples of those activities. But we are in fact betting on the come. We are asking the industry under the heavy regulatory pressure that they have as a result of the 1969 Health and Safety Act and the 1977 amendments, to come forward.

And we are reaching out to them to join with them in activities in turning over some of these programs to them.

Now, we focused our major attention on some of the most important ones, for example, respirable dust. We are essentially maintaining the level of spending in the respirable dust area, because of its association with long wall mining and because of the impact that it has both on the health of our miners and on the budget impacts, where its amounted to almost $1 billion a year in expenditures for black lung.

HEALTH RESEARCH PRIORITIZATION

Senator MCCLURE. How did you choose that one as compared to others?

You identified one which you did choose because of the levels of the hazard; but why did you not choose the others? Are they not hazards?

Mr. HORTON. Mr. Chairman, they are indeed hazards, but perhaps less life-threatening.

Radiation research can be reduced in light of the abrupt reduction in the uranium mining activities. If the market continues as it is now, it is probable that in a year or two we will not have any underground uranium properties; only perhaps open pit mines. And therefore, less concern with radiation hazards.

Senator MCCLURE. You won't have any radiation hazards in an open pit operation?

Mr. HORTON. No, sir.

Radiation hazards from uranium mining largely rest on radon gas, not radiation from the uranium ore.

Senator MCCLURE. And you don't think there'll be any concentrations of radon gas in those operations?

Mr. HORTON. That's never been a problem.

Senator MCCLURE. Well, how about the industrial hygiene and ventilation questions?

I don't mean to nitpick, but we're talking about changing a strategy from Government involvement in the research in these areas to reliance on the private sector. As I understand it, we don't have any information in any detail as to what the private sector has done.

INDUSTRY SUPPORT FOR RESEARCH

Do you have any new evidence that may indicate that industry will assume greater responsibility?

Mr. HORTON. Yes, sir, in industrial hygiene and ventilation, for example, we are just completing an agreement with the Colorado Mining Association where they will fund $1.6 million, and we'll fund a like amount, for ventilation, experiments in the oil shale mines of Colorado.

Senator MCCLURE. Well, could you please provide for the record some detail as to what has been expended in the areas where you expect cooperative agreements? The dollar amounts, the nature of the activities that you expect to take place, and of the Federal activity, as well as the Federal contribution to that activity.

Mr. HORTON. Yes, sir.

[The information follows:]

INDUSTRY COOPERATION IN HEALTH RESEARCH

On joint Bureau of Mines/industry projects over the past 10 years, approximately $1,840,000 has been contributed by private industry in the five subprogram areas of health research as compared to $4,400,000 by the Bureau of Mines and distributed as follows:

Subprogram	Industry contribution	Bureau contribution
Respirable dust	$1,400,000	$2,700,000
Radiation hazards	130,000	200,000
Industrial hygiene	65,000	450,000
Noise	205,000	750,000
Ventilation	40,000	300,000
Total	1,840,000	4,400,000

The above represent direct cost sharing of Bureau-initiated contracts; they do not include research by the industry that does not invovle the Bureau. Furthermore, they do not include any expenses incurred by the industry for their part of cooperative agreements or for informal cooperation with the Bureau. Examples of indirect cost items include the use of test sites, mine transportation, installation of electric power, personnel to set-up and maintain equipment, and other support equipment.

CORRELATION BETWEEN FUNDING AND ACCIDENTS

Senator MCCLURE. In regard to those five categories of research areas, is there any correlation between the dollar amounts requested for each and the number of accidents or health problems associated with each?

Mr. HORTON. The greatest dollar problem is associated with respirable dust and black lung.

Senator MCCLURE. Is that where we have the greatest problem and the greatest number of accidents?

Mr. HORTON. Well, it is not easy to correlate expenditures against number of accidents. There has been a substantial drop in accidents and in fatalities over the long term in mining.

The last 5 years the rates have been fairly flat.

Senator MCCLURE. Again, would you include in the material that you provide for the record any such correlation that may exist?

Mr. HORTON. Yes, sir.

[The information follows:]

HEALTH AND SAFETY RESEARCH FUNDING AND ACCIDENT STATISTICS

The fiscal year 1983 health and safety research program is a balanced program which addresses both long-term health engineering problems and the entire range of safety problems. The division of funding is based primarily on the MSHA data relating to mining accidents. The greatest portion (49 percent) of the funds is allocated to accident prevention research which accounts for most of the fatal and most nonfatal accidents. Disaster prevention research has been allocated 27 percent of the funds because in any one year the fatals from a disaster may exceed those in accident prevention. The balance of the funding, 24 percent is allocated to health research to attenuate health hazards that are compensable; especially respirable dust health effects which have cost the Government more than $11 billion in the last decade.

The following table contains the latest available mining Health and Safety Analysis Center (HSAC) accident statistics, calendar year 1981, and the proposed fiscal year 1983 health and safety research funding.

ALL MINING

	1981 HSAC data			Fiscal year 1983 program		
Research area	Fatal	Percent	Nonfatal	Percent	Funding	Program percent
Accident prevention[1]	186	79	29,762	98	18,561	49
Disaster prevention[2]	51	21	783	2	10,374	27
Health[3]	0	0	0	0	8,888	24
Total	237	100	30,545	100	37,823	100

[1] Accident prevention research includes the program elements of industrial hazards and ground control.

[2] Disaster prevention research includes the program elements of fire and explosion, methane control, post disaster, explosives, and system engineering.

[3] Health research includes the program elements of respirable dust, noise control, industrial hygiene, ventilation, and radiation hazards.

BLACK LUNG DISEASE

Senator MCCLURE. Recent statistics indicate that about 6 percent of the active coal miners now show symptoms of black lung disease.

How does this statistic compare with previous years?

Mr. HORTON. That's down from 15 percent.

Senator MCCLURE. Do you feel that there is a direct correlation between the reduction of black lung disease and the research conducted on it over the past years?

Mr. HORTON. Yes; and then application of that research by the mining industry.

Senator MCCLURE. You have indicated that there will be a continuation of Federal research activities. Do you also expect an increase in the private sector involvement in research in black lung?

Mr. HORTON. Yes, we do, particularly in the area of long wall mining.

Senator McCLURE. Can you quantify those activities, either in terms of number of people involved or number of dollars committed?

Mr. HORTON. I can submit that.

Senator McCLURE. If you would do so, please.

[The information follows:]

PRIVATE SECTOR INVOLVEMENT IN RESPIRABLE DUST RESEARCH

We base our expectations on past performance such as the level of cost sharing and cooperation. The level of cost sharing over the past 2 years has been approximately $1 million as compared to about $400,000 in the preceeding 8 years. This significant increase, primarily attributed to industry's concern over the long wall dust problem, is a positive indication that greater responsibility is being assumed on solving quick-fix type problems. These are site-specific problems, common to a particular mine or region, whose impact can be minimized with short-term efforts not exceeding 1 year in duration and not requiring radical or fundamental changes in mining techniques. Examples include long wall ventilation changes due to application of gob and wing curtains, water sprays on supports and minor changes in sequence design. The basic long wall dust problem does not lend itself to quick-fix solutions, but rather is a long-term research problem that requires complex studies to develop the required radical changes in techniques. The Bureau will continue to pursue long-term research, seeking solutions to the generic problems that will benefit the entire mining industry and reduce the incidence of respiratory disease.

LONG WALL DUST CONTROL TECHNIQUES

Senator McCLURE. In 1981 you initiated a project to demonstrate available long wall dust control techniques, and to develop new and improved controls.

What is the current status of that project?

Mr. HORTON. Well, sir, I'd like to ask Mr. Patrick to answer that; he's in charge of health and safety.

Senator McCLURE. Please state your name for the record.

Mr. PATRICK. Joseph L. Patrick, Acting Chief, Division of Health and Safety Technology.

In that area of research in long wall mining we have developed a technique for redirecting dust away from the machine operator in the long wall mining area. We have also done experimentation in the development of coal mining machines which generate less dust, and currently we are developing machinery with any number of characteristics like that.

We have really improved the record.

Senator McCLURE. What are the figures on the number of long wall operations that are now using the technique?

Mr. PATRICK. I think that out of about 100 long wall faces we have about 20 or 25 equipped with the technology that's been developed.

COMPLIANCE WITH RESPIRABLE DUST STANDARDS

Senator McCLURE. If they use that technique will they then be in compliance with the regulations with respect to dust control?

Mr. PATRICK. In that area, yes.

But there are other situations, bins, belts—the Bureau intends to bring all long wall operations into compliance with the Federal respirable dust standards.

Senator McClure. Well, how many such standards are there, and how many are in compliance?

Mr. Patrick. Many of those that we've worked with in the long wall area, machine cutting faces, are in compliance. I would have to guess at the number. There's a high percentage of those that are not using that technology.

Senator McClure. You indicated——

Mr. Patrick. Let me rephrase that a little.

If they are in compliance they are not utilizing the complete capability of the equipment. So they are cutting down on capability to meet compliance requirements. What we are trying to do is give them the capability and still meet compliance requirements, and still achieve a reduction.

Senator McClure. There are respirable dust standards?

Mr. Patrick. Yes, sir.

Senator McClure. The use of this equipment will bring them into compliance?

Mr. Patrick. Yes.

Senator McClure. But there are other areas of the operations which are not in compliance; and you don't have the equipment which will bring them into compliance?

Mr. Patrick. We are working on those areas, such as with transportation of coal.

Senator McClure. When we look at it, it's out of approximately 100 operations, is that correct?

Mr. Patrick. Yes.

Senator McClure. You have 20 to 25 using this equipment?

Mr. Patrick. Yes, sir.

Senator McClure. That would imply 75 to 80 percent are not in compliance?

Mr. Patrick. Yes, sir.

Senator McClure. And even those that are using this equipment, you say they are not in compliance in other areas?

Mr. Patrick. There is that possibility.

Now, the Bureau does not regulate, therefore, we don't have the exact data on that subject.

Senator McClure. I understand that.

But what I'm getting at is, why are we cutting down on an area where we don't have compliance?

Mr. Patrick. It's a matter of the industry accepting these technologies. Some of their equipment is older. Some of it is a little harder to modify. And it will take a little longer. The easy things have been done. The harder ones will take a little longer.

They are cutting back on productivity to meet the standards.

Senator McClure. Are they meeting the standards?

Mr. Patrick. That's a difficult one for me to answer, sir. I don't have the data. But if they do increase production capability of the equipment, I would say they would not meet the standards.

INDUSTRY INITIATIVE FOR SHORT-TERM RESEARCH

Senator McClure. On page 19 of the justification you indicate that research aimed at reducing immediate remedial measures that reduce unhealthful conditions in the mining system will be curtailed, and that the Bureau will observe whether industry will take the initiative to assume greater responsibility in developing short-term research—that latter part is quoted from the justification.

What will the Bureau do if it observes industry not developing such research?

Mr. Horton. Even without waiting for that indication, although I certainly have no certainty that it will occur, we are having several meetings with industry, as we have in the past and will continue in the future, to discuss mineral problems, and to encourage them, to solicit their cooperation through joint efforts, through memoranda of understanding so that we will be participating with them.

Secretary Pendley. Mr. Chairman, we are somewhat optimistic about the future, and with regard to what industry will do.

If I can make—refer to an analogous situation in the offshore area: one of the things that the Government has done for a long time is perform much of the seismic work with regard to the information acquisition on the OCS. We have now pulled out of that program and turned it over to the private sector; and we are seeing private industry be very responsive; knowing that the information will have to be made available and supplied.

We are not doing those things the Government should not be doing. We are asking the private sector to do that. And we have seen, at least in the OCS, the private sector be responsive.

Of course, we have something to sell. We have an issue that we have to get out. And, as Bob has indicated, we are already doing that in meeting with the industry and the private sector and asking them to come forward and do those things as we discuss in our statement here, which are really in their best interest.

And no one suffers more from these accidents and these shutdowns than the private sector. No one has a greater interest in remedying these problems.

Mr. Horton. We are taking positive steps in that direction right now, Mr. Chairman.

One example is the formation of a industry committee on comminution, on grinding. Grinding costs are the greatest costs of the milling. And we look forward to substantial funding with Bureau participation limited to a share of not more than 15 percent of the total costs. And in a year or two, perhaps at no cost at all to the Federal Government, as the committee takes over total funding.

Senator McClure. I hope you will keep the committee informed as to the progress that you make so that we don't have to wait a year to find out whether or not it's working, and whether or not you have found out whether it's working.

Mr. Horton. We would be pleased to do that, Mr. Chairman. We are quite excited about it.

Senator McClure. I hope you will be able to give us some rather precise information. I assume that industry is spending some money in that area already. And I assume what you are suggesting to us is that they will focus their efforts, and increase their efforts?

Secretary Pendley. We are confident that they will, Mr. Chairman.

Senator McClure. If we don't have a base record, it's going to be a little difficult to know whether they are increasing their efforts.

Apparently we don't have that base record. I am a little skeptical to know how we are going to measure that increase.

INDUSTRY R. & D. EXPENDITURE INCENTIVES

Secretary Pendley. Well, Mr. Chairman, as you know, the 1981 tax measure contained substantial benefits for research and development activities; so I think this will be a spur to that effort.

Senator McClure. I am sure it will be a spur. I just don't want to see them moving under that tax accounting the activities which they've always done in the past; thereby getting the tax advantage without any increase in the activity.

And I rather suspect there'll be a rather high percentage doing just exactly that. That's why we will be watching it pretty closely.

We won't even know whether the act is working well if all we do is just total up the amount they claim on their tax returns.

Mr. Horton. I think, Mr. Chairman, that with a little work we would be able to establish industry expenditure rates over a suitable timeframe from the past so that comparisons can be made.

Senator McClure. If you would do so, please; and I would appreciate that information.

[The information follows:]

Industry Expenditures on Health and Safety Research

The industry has traditionally cooperated with the Bureau in research projects as those projects neared a state useable to the industry. This is evidenced by the relatively large number of cooperative agreements and cost-share contract arrangements made with industrial cosponsors over the years. In the health program, for example, industry has contributed over $1.8 million in direct cost sharing alone during the last 10 years (1972–81 inclusive) while the safety contribution for the same period was approximately $3 million. The total health and safety contribution by industry to Bureau projects in 1981 was $1.123 million. In 1982 participation had increased to $2.966 million. These experiences with cost sharing of Bureau projects by industry leads the Bureau to conclude that the industry could and will assume a greater role. Along with these experiences, recent legislation will also foster greater industry research. Specifically, the patent policy change allows small businesses and universities to receive exclusive licenses for Government patents. Additionally, the new tax credit for research and development expenses should encourage industry research. Industry contributions, in the form of services and site access, via cooperative agreements, has also been considerable. Although difficult to value because they are not documented separately, these industrial contributions are estimated by the Bureau to exceed $1 million annually.

COMPLETION OF INDUSTRY SUPPORT STUDY

Senator McClure. In fiscal year 1983 the Bureau is planning to support a study which will address the relationship of the goals of the mineral resources technology program to those of the minerals industry in order to achieve "maximum Government-industry cooperation and mutual support."

What is the status of that study, and when is it scheduled for completion?

Dr. HENRIE. Mr. Chairman, we have been working quite diligently in this area for a little over a year. As was mentioned earlier, in the area of comminution we nearly have a research association organized. The Bureau of Mines directed or was asked by industry to proceed in organizing an interim research association in which Government and industry, would support research activities, with research to be conducted by Government-industry and academe.

I would say for the most part that the ferrous industry, the iron ore processing, and the phosphate industry, have been positive in their reaction. Industry is quite enthused with the thought and with pooling their efforts and talents in developing an effective research program.

The nonferrous industry will also work together in a joint effort. The reaction so far from all of them has been positive; but we haven't taken the steps yet to form a research association. I think that that will come to pass within this calendar year.

Mr. HORTON. Mr. Chairman, Mr. Miller could add more to your specific question.

Mr. MILLER. I am William L. Miller, Assistant Director for Minerals and Materials Research. Mr. Chairman, I believe the report to which you are referring is the study Battelle-Columbus Laboratories did for us. We now have the final draft in hand, and expect to have the final report about May 1. We will be pleased to provide a copy to the committee.

Senator McCLURE. I appreciate that.

[A copy of the report has been retained in the committee files.]

STUDY OF THE MINERALS INDUSTRY

Mr. MILLER. I believe it will point out some areas of our own program where we need to take another look. The purpose of the study was to examine goals and objectives of the minerals industry. A methodology for comparing these with national goals was developed. Through a set of intermediate-level objectives, the respective roles of industry and Government were related to technical research objectives.

WILDERNESS LAND ASSESSMENTS

Senator McCLURE. Under the wilderness land assessments you propose to reduce funding by some $3,500,000 from the fiscal 1982 level of slightly over $8 million.

Why are you reducing this activity by nearly 43 percent?

Mr. HORTON. Mr. Chairman, we are completing much of our work in Forest Service areas, and are able to reduce our efforts.

This next year or so will be spent largely in the office preparing the final reports of work done to date. So there is an actual tapering off of our expenditures.

Senator McCLURE. When you talk about tapering off and the amount of acreage assessed, are you implying that the acreage assessed has been done in the field; but the acreage assessment will not drop off?

As I read your materials, you have indicated that you will reduce acreage assessments by 20 percent, but you are reducing expenditures 43 percent.

Mr. HORTON. It's lower cost office work as opposed to the higher cost of field work.

Senator McCLURE. Is that a fair and accurate characterization of the difference?

Mr. HORTON. Yes; but I would not like to leave you with the thought that all areas have been assessed. There are still designated wilderness areas that have not been assessed.

Senator McCLURE. And there are a number of further study areas that have not been assessed, is that correct?

Mr. HORTON. Yes—but they are on schedule.

Senator McCLURE. Is the Bureau of Mines also doing the assessment of proposed areas for the Bureau of Land Management?

Mr. HORTON. We have regularly done Bureau of Land Management work, and that's funded through the Bureau of Land Management.

Senator McCLURE. Funded through the Bureau—that's not reflected in these costs?

Mr. HORTON. No; Forest Service lands are a direct appropriation; Bureau of Land Management work is funded through the Bureau of Land Management.

Senator McCLURE. Has the Forest Service made any formal or informal comment on your budget request?

Mr. HORTON. Not to my knowledge, Mr. Chairman.

BUDGET IMPACT OF WILDERNESS LEGISLATION

Senator McCLURE. Have you made any assessment of the budgetary impact if the bill that Secretary Watt has proposed is enacted?

Mr. HORTON. Yes; we have discussed with the Secretary various funding levels that might be appropriate for the work that he is proposing.

Senator McCLURE. What does that preliminary assessment indicate?

Mr. HORTON. That our budget for 1983 is proper to support the Secretary's approach to the wilderness assessments. We will need some increases—slight increases—after that.

One can spend money at any rate you might want on lands. But with our present staff and resources, the budget is adequate.

Secretary PENDLEY. Mr. Chairman, if I might interject—we do feel that we have discussed, as Bob indicated, making an analysis of the wilderness proposal the Secretary announced earlier this year.

But we do feel that in light of the slow movement we have on that legislation, it would probably be premature for us to attempt to come to some conclusion with regard to what budget might be required.

Senator McCLURE. But assuming that it passed, you have some idea about what it would cost to do it?

Secretary PENDLEY. Well, Mr. Chairman, we haven't really gotten down to that nitty-gritty detail on the subject. We are an awfully long way away from enactment of that particular bill. We haven't seen much motion on the House side. And we are anxious for it to move. And the Secretary spent a day up there several weeks ago.

But we would like it to move. And as soon as it does, we might focus more attention on amounts.

Senator McCLURE. Well, there may be some up here who would like to know what the cost is before we enact. We don't fill out very many blank checks to the administration.

Secretary PENDLEY. No, sir.

ADEQUACY OF MINERAL ASSESSMENTS

Senator McCLURE. I don't mean to belabor this, because you've heard me on this subject many times before. But we make mineral assessments that are pretty superficial at best.

Secretary PENDLEY. Yes, sir.

Senator McCLURE. We don't really know what's in those lands. You don't know until an extensive exploration has been conducted. We're only kidding the American people when we attempt to tell them we do know.

Secretary PENDLEY. Well, Mr. Chairman, that's why we agree 100 percent with your assessment and in your long experience, particularly from Idaho, gives evidence to that.

We agree 100 percent. And that's why it's so critical that we get the Secretary's legislation adopted, in order that we might put a deadline on activities with regard to future wilderness creations, in order that we might move and remove the uncertainty that is now cast upon western lands, and most highly mineralized western lands, so the private sector might get on those lands and provide the American people the real assessment of their values.

Senator McCLURE. Well, I don't think any real assessment is ever made until somebody has been in there and decided whether they want to mine; they spend the money to make that decision; and they either make a positive or negative decision.

If it's negative, then you have an assessment that it isn't worth it under current economic conditions. If they decide they want to go ahead, then they've made an assessment that there's something there that's worth going after.

Most everything else has varying degrees of conjecture about it.

Somebody once said it's like cruising the forest, flying over it while it's covered with a fog bank, and you see a peak stick up here and there with a nobby old tree on it, and you try to discern from that how much merchantable timber there is down below.

Now, the foresters understand that analogy, but I suspect a great many other people who don't know anything about public land values, wouldn't understand either the minerals or the timber analogy.

We just simply don't know very much and the program that we are talking about isn't going to give us very much information. It will give us more than we would have without it. And that's about all you can say for it.

You started to say something, and I would welcome that comment?

Mr. HORTON. Well, Mr. Chairman, my life has been spent in the assessment of lands, looking for mineral deposits. It is extremely difficult. I think it's important that the Federal Government have some expenditures in those areas, to develop, if nothing else, a broad classification of what appears unmineralized or appears mineralized.

I would underline the "appears," because that word changes as you develop technology.

PETROLEUM EXPLORATION

Senator MCCLURE. I was just yesterday reading a little bit more of the history of the development of the greatest oil field in the world, the one in Saudi Arabia.

There was a similar structure at another location not far away within the territorial boundaries of another country that had been developed, so they immediately wanted to go here. And which companies wanted to go there, in Saudi Arabia? One did, many didn't.

I think the position of the United States was, let's get in there and look, because we had a couple of oil companies that wanted to look. They formed the Caltex Corp. to do so.

The official position of the British was, don't waste any money looking there, there's nothing there.

I think if I recall correctly it was five or six, perhaps seven dry holes in that promising formation; and it looked like the British were right. We were wasting our money. Then they hit on the next hole the next day.

We don't know very much until that drill bit gets down there, whether it's oil or gas or cobalt or steel or copper or whatever it may be. You don't know much until you are actually down there looking.

You can infer a great deal from the geology, from the best techniques, the best evidence, the best that brains can give you. But you don't really know until you look.

We are trying to tell the American public we know what's on these public lands and we are making public lands resource assessments, yet we really doubt what we have on those lands.

That's not your fault, Mr. Secretary. It's certainly not the fault of the Bureau of Mines. But it is the fault of the Congress of the United States that allows these decisions to be made upon a political basis rather than on a factual basis.

COBALT DEPOSIT IN IDAHO

Secretary PENDLEY. Well, Mr. Chairman, you know from your own experience of the Black Bird Mine up there in Idaho that the feeling was that that mine was gone. Then they found cobalt that had been there 50 years. Some creative geologist had an idea it was there and that kept it open for the American people.

Senator McCLURE. And there was one other little fact: the price of cobalt. It didn't put it there, but it sure made it worthwhile getting it out. One of the things we need to remember about cobalt is the fact that's it's production is associated with the production of copper in Africa. When they are producing copper, they get a lot of cobalt. When they are not producing copper, they don't get any cobalt. The market demand for cobalt just fluctuates like a yoyo, dependent upon that copper operation.

So our dependence on cobalt is very great in Zaire and Zambia and the Soviet Union—all stable and "friendly governments."

Secretary PENDLEY. Yes, sir.

Senator McCLURE. Stable and friendly with each other, but not very stable and friendly with the United States. And yet, we depend upon them.

And it isn't because, in that instance, that we don't know anything. It's because we can't make the decisions that are necessary based upon what we do know, because of political constraints.

Secretary PENDLEY. That's why I'm so proud, Mr. Chairman, that the President, our President, has signed a minerals policy and became the first President in 30 years to do so, to recognize just the simple fact that you're talking about—this President understands that relationship.

Senator McCLURE. Yes, he does. And I commend him and the Department of the Interior, and you, for making that recognition.

MINERAL LAND ASSESSMENTS

But, again, this budget does not reflect a great commitment to knowing more about the technical aspects of the values in those lands. And while I understand what the Secretary is doing with respect to the bill that he has sent up here, that's not going to add to our knowledge over the next 20 years, very greatly.

Secretary PENDLEY. Mr. Chairman, as you point out, these studies are cursory at best. In 1925 the USGS declared the area south of Tucson devoid of mineral characteristics. It now produces, as you know, 60 percent of our copper.

The best way that we believe to make sure to develop the minerals is to let the private sector get out there in an environmentally sensitive manner and search those lands for developable minerals.

And we think the best way we can do that is to make more public lands available for multiple use under the legislation that now exists.

Senator McCLURE. I will have a number of questions to submit for the record. We have another meeting which I must Chair. And I am going to have to conclude this portion of the hearing at this time.

MINERAL INSTITUTES

But I do want you to know that I am less than satisifed with what the administration is suggesting with respect to the mineral institutes.

Secretary PENDLEY. Yes, sir.

Senator McCLURE. That doesn't come as any great surprise to you, does it?

Secretary PENDLEY. No, sir, it does not.

But we believe the experience that we have been exposed to, and Director Horton was in Alabama recently and was exposed to a situation where the private sector and the universities came forward, and have basically funded an exercise like this down there.

And we think no one has more interest in getting good engineers and technology folks out than the private sector; and that they'll respond.

Senator MCCLURE. Well, I know that they've felt that way in the past, and didn't respond.

I realize we have a different team asking them in a different way——

Senator MCCLURE [continuing]. Than they have been asked in the past.

In your statement with respect to the mineral institutes you state that no funds are requested because "they are not uniquely Federal."

Well, there's a large portion of the work that the Bureau does that is not "uniquely Federal." Yet you are requesting nearly $125 million.

I am not at all satisfied that we as a Nation are being well served by failing to provide enough of the kinds of technologists and technicians that are necessary. We have probably more people studying flower-potting than we do the minerals industry.

I choose flower-potting not because I'm against flower-potting——

Secretary PENDLEY. Well, we're not, either.

Mr. HORTON. We have had quite a few replies, Mr. Chairman, about the generic centers in our suggested reorganization. Depending on your timeframe, Dr. Morgan could bring you up to date a little bit.

Senator MCCLURE. If you could provide for the record some of the success you've had in generating support for minerals education in the private sector, things that you can point to as increases of activity, either your own efforts or the responses by industry.

Again, I don't want to mislead people by simply adding up contributions that have been made in past years, and saying, now, this is the result of our new effort.

Secretary PENDLEY. We are clear, Mr. Chairman.

Senator MCCLURE. Thank you.

[The information follows:]

SUPPORT FOR MINERAL INSTITUTES

Suport for mineral education and research in the 31 States having minral institutes is supplied directly by their respective State legislatures and by private gifts to and contracts with the schools. Geology and mineral engineering departments frequently receive financial support from State and Federal agencies. While we do not know exactly how extensive State support is, we do know that it is sufficient to provide at least $150,000 from State and private sources to match the current mineral institute allotment grant for each of the 31 mineral institutes.

In fiscal year 1981, the addition to $9.2 million received under title III, mineral institutes received research greants and contracts from the Bureau of Mines of $4.6 million and from the National Science Foundation of $1.7 million.

A recent survey of the mineral institutes showed industry support of cooperative research totaling $7.1 million. This suport was unevenly divided among the institutes, with some apparently receiving no such funds and others substantial amounts.

Several noteworthy sources of funds for the mineral institutes are listed below: Alaska, $822,000 for research from various State agencies; Kentucky, State has approved $14 million to house the mineral institute; Michigan, industrial cooperative research with 16 sponsors totals $2.25 million; and Nevada, State funded new building under construction. Equipment for the new building totaling $2.2 million has been pledged by industry.

A recent example of support to institutions at which mineral institutes are located but not necessarily to the institutes per se, are the $250,000 5-year grant from Phillipp Brothers to the Colorado School of Mines for a professorship in mineral economics.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. Thank you for your testimony this morning. Your assistance in answering the questions that are submitted will be very much appreciated.

Secretary Pendley. We will be responsive. Thank you, Mr. Chairman.

Senator McClure. Senator Rudman will Chair the remaining portion of the hearing this morning. This committee will be in recess until Senator Rudman arrives.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Health and Safety Technology

Question: You indicate on page seven of the justification that you expect industry to assume greater responsibility for much of this research that will be reduced. Based on past experience, do you truly expect industry to assume a much greater funding role? What new evidence do you have which may indicate industry will assume greater responsibility?

Answer: We expect industry to assume a greater role in conducting applied research, especially that research geared to solving problems unique to very specific types of operating conditions. In this regard, the Bureau, over the past several years, has been working with the industry not only to insure the relevance of the work, but also to encourage industry co-funding. The following table displays the industry contributions to cost-shared contracts in FY 1981, and those estimated in FY 1982.

	FY 1981 ($000)		FY 1982 ($000)	
Project Area	Industry Cost	Government Cost	Industry Cost	Government Cost
Respirable Dust	777	387	255	915
Radiation Hazards	0	0	110	170
Noise Control	53	129	315	710
Industrial Hygiene	22	51	210	465
Ventilation	0	0	40	400
Subtotal, Health	852	567	930	2,660
Fires and Explosions	0	0	383	257
Methane Control	164	213	780	571
Ground Control	0	0	233	700
Industrial Hazards	107	256	500	200
Post Disaster	0	0	50	100
Explosives	0	0	0	0
Systems Engineering	0	0	90	192
Subtotal, Safety	271	469	2,036	2,020
Total, Health and Safety	1,123	1,036	2,966	4,680

The experiences with cost-sharing of Bureau projects by the industry leads the Bureau to conclude that the industry could and will assume a greater role. In addition, the Bureau has concluded that recent legislation will foster greater industry research. Specifically, the patent policy change allows small businesses and universities to receive exclusive licenses for Government patents. Additionally, the new tax credit for research and development expenses should encourage industry research.

Question: Have the states contributed to the health research activities? If so, how much over the past ten years? If not, what role should the State play in this regard?

Answer: Over the past ten years, the contributions of states to the Bureau of Mines health research activities have been minimal compared to safety research activity. The reason for this is that most states do not have a mining health research budget or facilities. States could play a significant role by assisting in the transfer of technology that is developed by the Bureau of Mines and by providing input on research needs at a local level.

Question: One of the factors involved in determining which research will not be continued in fiscal year 1983 is high cost relative to benefit. For the record, please identify all projects proposed for reduced or no funds which were so reduced in part or in whole because of this factor. Please include in this submission the cost-benefit ratio for each such project.

Answer: The Bureau does not develop cost-benefit ratios. The projects included under the budget reduction represent trade-offs made in support of Administration policy and criteria providing a program focused on long term, high risk, high potential payoff research related to mining health and safety. The Bureau does use a complex ranking procedure which includes a subjective evaluation of benefits in relation to costs. The projects to be reduced, deferred, or terminated as a result of judgments of high cost relative to benefits are in the areas of fire and explosion prevention, methane control, post disaster, explosives, and systems engineering.

Question: Under Safety Research, you indicate that applied methane control research will be eliminated. Why has applied research been targeted for elimination? Specifically, what projects in this regard will be eliminated and what are the savings associated with each?

Answer: The Bureau's Methane Control program is a mature in-house program which has been supplemented with a modest contract program. In-house research has traditionally been directed toward more basic and fundamental research, whereas the contract program is involved with the application of the technology developed in-house to solutions for specific in-mine problems. Considering the trend toward more basic and long-term research, the contract program, and therefore research other than basic and long-term, will be substantially reduced. Specific projects that will be eliminated are as follows:

A.	Stopping Door and Overcast Construction in Salt Mines and Oil Shale Mines	$200,000
B.	Application of Methane Drainage Techniques to Metal and Nonmetal Mines	$100,000

The in-house research in these areas will continue to develop the fundamental technology necessary for the development of solutions for methane problems. It is anticipated that industry will apply this technology to their specific problems.

Question: As in the health research area, how much have industry and the states contributed to each of the seven safety research areas over the past ten years?

Answer: Cost sharing contracts and grants between FY 1973 and FY 1982 are summarized below ($ in thousands):

Program Area	Bureau	Industry	States	Total
Fires & Explosions	$1,862	62	164	2,088
Methane Control	1,473	1,240	--	2,713
Ground Control	5,470	713	172	6,355
Industrial Hazards	7,776	1,124	592	9,492
Post Disaster	829	42	33	904
Explosives	--	--	--	--
Systems Engineering	460	--	228	688
Totals	17,870	3,181	1,189	22,240

The above data represent direct cost sharing of Bureau-initiated contracts and grants; they do not include research by the industry or states that does not involve the Bureau. Furthermore, they do not include any expenses by the industry for their part of cooperative agreements or for informal cooperation with the Bureau.

Minerals Environmental Technology

Question: Moving to Environmental Research, you will be conducting research to improve the methodology for predicting the quantity and quality of water entering underground mines. According to your justification, this project complements a joint research project being conducted by the Central Mining Institute in Katowice, Poland. Given the situation in Poland, what is the status of the project? What is the extent of this research being conducted in Poland? Is the U.S. contributing funds to any part of the Polish effort? Have we in the past? If so, how much?

Answer: Although the projects technically complement each other, funding-wise they are independent. The Polish project is funded under the Maria Sklodowska-Curie Joint Fund and the Bureau project is funded through appropriated funds. Therefore, funding-wise, the situation in Poland does not affect the status of the Bureau project. Under the original agreement, the Polish project was funded through 1984 and it is assumed that the current situation in Poland has not affected the Polish project, as well. The agreement with the Polish People's Republic was initially adopted to provide for the conduct of research of mutual interest to both parties in the advancement of their respective scientific and technical objectives. This is one such project where the cooperative research to develop a hydrologic model will be beneficial to the mining industry of both Poland and the United States. Due to the magnitude of the changes in water flow associated with subsidence in Poland, the Polish Central Mining Institute can do research which would be difficult in this country; however, the model, once developed, should be applicable in this country. Similarly, the research the Bureau is doing on studying the effects of longwall mining on the local hydrology will be beneficial to the Poles in developing their model. The U.S. does not contribute any direct funds to this particular Polish project nor have any U.S. funds been expended on previous projects. Incidental funds related to travel have been expended during visits of Polish scientists to the U.S. and U.S. visits to Poland although more than half of the travel expenses are also included under the Maria Sklodowska-Curie Fund.

MINERAL RESOURCES TECHNOLOGY

Question: According to your justification, you will complete during fiscal year 1983 an analysis of the structural integrity of a deep circular concrete-lined shaft. Where is this analysis being conducted and what are the preliminary results? What are the projected economics associated with such a concrete-lined shaft?

Answer: The deep circular, concrete-lined shaft is being constructed at the Lucky Friday mine in the Coeur d' Alene mining district of northern Idaho. Instrumentation and data collection is at the shaft site in Idaho; actual analysis of the data is conducted at the contractor's office in Salt Lake City, Utah. The Bureau is instrumenting the shaft as it is being sunk to measure short-term and long-term rock pressures and deformations. Preliminary results from instrumentation and observation in the first 4000 feet indicate that structural integrity is being maintained satisfactorily. The circular design is a departure from the traditional rectangular design used in the Coeur d' Alene district, and when completed the shaft will be the deepest (7700 feet) in North America. Economic benefits are projected to come from significantly reduced shaft maintenance costs. Maintenance costs in the average deep vein mine shaft are about $300,000 per year, a cost the mining company hopes to reduce with the circular design.

Question: When will your evaluation of leaching technologies for recovering cobalt and other critical metals from low-grade resources be completed? What preliminary information can you provide the Committee with respect to this technology?

Answer: Work on recovering cobalt and nickel and associated metals from California-Oregon laterites will be completed in FY 1982. A 5-ton-per-day contract pilot plant test on these laterites has been completed and final reports submitted by the contractor. Results indicate that recovering cobalt, nickel, and copper would be marginally economic.

In other research involving ores from the Blackbird Mine of Idaho, we are exploring three alternative processing routes: (1) oxygen pressure leaching, where sulfides are converted to sulfuric acid, giving higher total metal recovery, but which dissolves an undesirable amount of iron; (2) ammoniacal pressure leaching giving lower total metal recovery, but also low iron leaching; and, (3) dearsenification roasting, followed by sulfation roasting and subsequent leaching to recover soluble sulfates. This work is progressing favorably. We expect it will be completed by the end of FY 1983.

Question: Specifically, what research do you propose to conduct using ores from the Blackbird Mine areas of Idaho once this evaluation is completed? How much will be spent on this continued research using Idaho ores?

Answer: The evaluation involves laboratory research on three alternative technologies:

- oxygen pressure leaching,
- ammoniacal pressure leaching, and
- dearsenification roasting, followed by sulfation roasting and subsequent leaching.

Upon completion of the evaluation phase, testing of the most promising method on a slightly larger scale will be performed in order to generate information that will be useful to the Government and to industry for decisionmaking as to future exploitation of this resource. The testing phase will take approximately one year to complete and cost an estimated $400,000.

Question: Much work has been done in the past on recovering cobalt and other such critical metals from a variety of wastes, and will continue during FY 1983. Based on what we know today, how promising is this technology of recovering metals from such wastes? What percentage of this nation's requirements for these metals can be met with this technology?

Answer: Wastes containing cobalt and other such critical metals occur in a variety of forms, including metallic scrap, dusts, slags, sludges, and solutions. The Bureau of Mines has a long history of conducting research to recover the valuable metals from these wastes while at the same time regenerating the remaining materials for further use or rendering them suitable for safe disposal.

For example, in the late 1960's a technical breakthrough was achieved which involved the recovery of cobalt and refractory carbides from cemented carbide scrap. Today at least seven companies use this simple process to recover over 1,600 tons per year of carbide scrap valued at $64 million. Thus, this technology aids in the recycling of about two percent of the cobalt consumed in the United States and eventually could account for as much as nine percent.

Another research study has demonstrated that stainless steelmaking wastes, such as dusts, mill scale, and grinding swarf, can be economically recycled in production electric arc furnaces to recover 90 percent of the contained chromium, nickel, and molybdenum. Through a cooperative agreement, this technology was demonstrated successfully on a production basis at a commercial plant in Indiana, and the company is considering installing the process. Widespread use of this technology could supply about five percent of the chromium, nickel, and molybdenum currently used in stainless steel production. Similar wastes from the production of other types of alloys containing critical metals should be amenable to treatment using this technology.

One current research project involves cobalt and nickel recovery from the wastes generated during processing of Missouri lead ores. Testing of a newly devised process is planned and if successful, could lead to recovery of sufficient cobalt from lead smelter wastes to satisfy up to one percent of domestic consumption. This technology also is applicable to a number of other metallurgical processing wastes. In Fiscal Year 1983 research is planned to recover cobalt and nickel from the tailings produced during the beneficiation of the lead ores. If successful, this could result in the recovery of cobalt and nickel amounting to 3 and 0.5 percent of domestic consumption respectively.

The Bureau also is investigating materials for processing various types of superalloy scrap in an effort to recover over 50 million pounds of cobalt, chromium, nickel, and other critical metals contained in this scrap which is downgraded or exported each year. Industry is very interested in recovering these values but current processes are not economical. If the number of complex operations required to recover the metal values can be reduced, industry will readily adopt the technology for recycling these materials.

Data Collection and Analysis

Question: Each year, the Bureau of Mines prints and distributes a multi-volume Minerals Yearbook. How many copies of the Minerals Yearbook are printed each year and at what cost? Are any of these costs recovered through sale or other means? If so, how much and through what means?

Answer: Approximately 5,000 copies of each volume in each edition of the Minerals Yearbook are printed. The 1978-79 was combined as a two-year effort to allow for adjustments made necessary by the late release date of the 1977 edition. As a result, the yearbook proved more useful to users because it was more current. The printing costs fall into two categories. First, printing costs of copies for official free distribution are paid for by the Bureau of Mines through a GPO printing contract. Secondly, printing costs of sales copies are paid for by the Superintendent of Documents; this agency retains the revenue from sales.

The number of copies printed for official free distribution and the cost incurred by the Bureau are as follows:

	1977		1978-79		1980		
	Number	Cost	Number	Cost	Number	Cost *	
Volume I	1,700	$14,423	2,500	$17,522	2,500	NA	(Charges not received to date)
Volume II	1,700	$10,098	1,700	$11,260	1,500	NA	
Volume III	2,000	$12,082	2,100	$19,203	2,000	NA	

* Although these copies are currently available, GPO has not yet issued the bill for printing services.

The Bureau requests the Superintendent of Documents to print approximately 3,000 copies of each volume for sale through its bookstores. Cost of printing these volumes is paid for by the Superintendent of Documents. The number sold and revenue generated follows:

	1977		1978-79		1980	
	Number	Revenue	Number	Revenue	Number	Revenue
Volume I	1,876	$31,892	1,900	$28,500	1,160	$19,720
Volume II	700	$9,100	1,421	$17,052	--	-- *
Volume III	908	$15,436	1,332	$22,644	220	$4,400

* Volume II became available for sales on April 30, 1982.

Question: Does the Bureau of Mines recover costs from any of its publications or maps? If not, why not?

Answer: The Bureau does not recover costs directly. Sales of its publications are through the Superintendent of Documents, which pays the costs of printing the sales copies and receives the revenue generated. In fiscal year 1982, the Bureau placed 94 of its various reports with the Superintendent of Documents for sale.

Question: In 1983, you propose to continue to identify, resolve and make recommendations to remove data compatibility gaps. What major gaps have you so far identified but have not been dealt with because of budget restrictions?

Answer: Budget restrictions are not a factor in addressing those data gaps identified but not yet resolved. They have not been resolved because the proposed work is part of a major national plan which is in its developing stages. The National Materials and Minerals Program Plan and Report to Congress includes an effort to improve the Federal Government's capability to collect and analyze information necessary to support the formulation of policies related to nonfuel minerals. The Interagency Minerals Information Coordinating Committee, chaired by the Bureau of Mines, is already actively exploring different means for improving the availability of data needed for implementation of this policy. Two working groups within the committee, both chaired by the Bureau of Mines, have been established; one to deal with problems related to minerals information data and one to deal with analytical systems. The Minerals Data Working Group has just published the Minerals Data Source Directory. Included are such sources as data bases, surveys, publications or information systems containing data pertaining to all aspects of domestic and foreign mineral production, consumption, trade, etc. in 21 Government agencies. This group is also working to recommend solutions to data gaps and compatibility problems among Government minerals data sources. The members of the Working Group developed a list of data gaps within their respective agencies. Subgroups were established to explore the data gaps that were of the greatest interest to the agencies. These subgroups developed additional background information on several of the gaps including known data sources, ongoing coordination activities in these areas, and made preliminary assessments of the gaps. The lead agencies and the gaps investigated are listed below:

Potential Data Group	Lead Agency
Digitized Inventory of Federal Lands	U.S. Geological Survey
Exploration Data	U.S. Geological Survey
Foreign Mineral Consumption	Central Intelligence Agency
Foreign Mineral Production	Central Intelligence Agency
Foreign Mineral Stocks	Bureau of Mines
Foreign Mineral Taxes	Bureau of Mines
Foreign Refining Capacity	Central Intelligence Agency
Foreign Reserves/Resources	U.S. Geological Survey
Foreign Trade	State Department
Impact of Regulatory Actions on Mineral Industries	Department of Commerce
Mineral Potential of Federal Lands	U.S. Geological Survey
Stockpile-Public and Private	Federal Emergency Management Agency
Substitution	Department of Commerce
Transportation	Bureau of Mines

Two subgroups are currently investigating exploration data and data relating to the impact of regulatory actions on the mineral industry. These subgroups are reviewing existing data sources, identifying compatibility problems and will prepare recommendations for resolution of these problems. Investigations of other data gaps including substitution, foreign mineral taxes and digitized inventory of Federal lands will be started following the completion of the recommendations of these two subgroups. Efforts will continue in FY 1983 to address all aspects of the coordinated inter-agency effort as a part of overall Mineral Information Systems development work.

Mineral Investigations

Question: Similar to your Land Assessments, you have proposed a reduction of 38% in your Mineral Investigation activity. Included in this reduction are funds to conduct EIS reviews. In this regard, you indicate that by reviewing only those EIS's determined to be the most significant, you can reduce your workload for this activity by up to 25%. What criteria do you use to determine which EIS's are significant and which aren't?

Answer: EIS related documents which are not considered significant are those notices of application for preliminary permit where the proposed project would result in little or no change in land use. Current experience indicates approximately 75 percent of work funded under the EIS program is for reviews requested by the Federal Energy Regulatory Commission of which over half involve applications for preliminary permits for minor changes to existing facilities. While these applications were previously remanded to field centers for detailed review, they will now be screened at the Washington, D.C., level to determine need for detailed review by the field.

Question: How many EIS's will you refuse to review in 1983 and from what agencies will they likely be submitted? What alternatives do these agencies have when you refuse to review their EIS's?

Answer: All EIS's will be reviewed. Reduction in EIS activity will be managed through establishment of a two level review procedure. The considerable number of preliminary permit applications from the Federal Energy Regulatory Commission, most of which involve a no comment response, will be reviewed by Washington, D.C. headquarters staff. All other EIS reviews will be conducted as in the past by field personnel and headquarters staff.

Mineral Institutes

Question: Did you request any funding for Mineral Institutes from the Department and did the Department make any such request of OMB? If not, why not?

Answer: The Mineral Institutes were transferred to the Bureau of Mines in February 1982. Prior to that time they were under the jurisdiction of the Office of Surface Mining. Because the Department of the Interior viewed the Mineral Institutes Program as not uniquely Federal and because other sources of public and private support should be available to meet program objectives, no funding was requested by the Bureau of Mines or the Department for this activity for FY 1983.

Question: You have stated many times in this justification that this country needs greater attention focused on development of a variety of minerals yet you are discouraging the development of the cornerstone of the work force in this field. Do you think there is a role for the Mineral Institutes Program in helping to educate mining and minerals engineers among others?

Answer: Yes, there is certainly such a role to be played. We are not discouraging the education of mining and minerals engineers. We are recommending termination of Federal funding for the Mineral Institutes because of our belief that they are not uniquely Federal and that other sources of public and private support should be available to them to help meet their program objectives. One of the continuing objectives of the Mineral Institutes Program as clearly set forth in Title III of PL 95-87 is to "provide for the training of mineral engineers and scientists."

Question: What is your analysis of the proposed reorganization of the Mineral Institutes Program as requested in the 1982 Interior Appropriations Act?

Answer: The Conference Committee directed that the Department undertake to reduce the number of Mineral Institutes and to submit a comprehensive plan for institute consolidation. The Advisory Committee on Mining and Mineral Research created by Title III of PL 95-87 on January 22, 1982, recommended to the Secretary that the number of Mineral Research Institutes not be reduced but that consolidation be effected by offering to fund 4 or 5 Centers of Generic Mineral Technology that would concentrate attention on basic research needed to improve productivity in the mineral sector of the economy. The Committee further recommended that every effort be made to make full use of the Mineral Institutes before funding mineral technology projects at other colleges and universities. These recommendations were approved by the Secretary of the Interior on March 12, 1982.

General Administration

Question: On page 63 of the justification, you have requested an additional $641,000 to cover the costs of postage and telephone services. Please provide a list of your telephone and postage over the past five years as well as a detailed justification of why such a large increase for 1983 is necessary.

Answer: Telephone and postage costs over the last five years are as follows:

	Telephone	Postage
1979	$ 786,260	$ 756,696
1980	1,123,041	755,096
1981	980,000	1,709,000
1982 est.	1,210,000	1,710,000
1983 est.	1,500,000	2,061,000

The increase in 1983 for telephone service is $290,000 and for postage, $351,000, or a total of $641,000 for both items. The increase for telephone service is due to a 25% increase in the charges for the Federal Telecommunications Service (FTS) and for local, Washington, D.C., service. The increase for postage is due to U.S. Postal Service cost increases for the projected volume of all classes of mail services.

Helium Fund

Question: Please provide the revenues and expenses for the Helium Fund over the past ten years.

Answer: Revenues and expenses for the Helium Fund for the past ten years are as follows:

Revenue and Expense
(in thousands of dollars)

FY	Revenue	Expense
1983 (Est.)	$13,207	$16,885
1982 (Est.)	12,748	16,249
1981	13,159	12,240
1980	10,583	9,372
1979	10,030	8,506
1978	10,725	9,774
1977	9,544	7,994
TQ	1,545	1,509
1976	7,849	6,681
1975	7,375	6,257
1974	7,981	5,838

Question: Please provide a detailed list of "other revenue" used as an offsetting collection for the Helium Fund.

Answer: A detailed list of "other revenue" is provided as follows:

FY 1983 "Other Revenue" Budgeted
(in thousands of dollars)

Source	Budget
Rent from Government-owned helium containers	$1,550
Service on customer-owned containers	1,252
Underground helium storage and redelivery services for private industry	680
Contract helium redistribution	675
Railroad mileage allowance	266
Sale of byproduct residue gas	223
Analytical Services for customers	90
Property rental (grazing lease)	65
Non-operating	6
Total, other revenue	$4,807

Mineral Import Reliance

Question: Please provide a projection of net import reliance of selected minerals and metals, similar to that on page 6 of the justification for Fiscal Years 1982 through 1990.

Answer: Projections of future import dependence are usually made by the Bureau only for intervals of a decade. These projections reflect trends in production adjusted for new sources of supply and the decline of old resources, and trends in consumption reflecting changes in the technology utilization. The details for each commodity are set forth in Bureau of Mines Bulletin 671. The projections for 1990 of U.S. net import reliance of selected minerals and metals as a percent of consumption in the order of our chart on page 6 are as follows:

COLUMBIUM	100%
DIAMOND (industrial stones)	9
GRAPHITE (natural)	100
MICA (sheet)	100
STRONTIUM	100
MANGANESE	98
BAUXITE & ALUMINA	94
COBALT	100
TANTALUM	100
CHROMIUM	100
FLUORSPAR	88
PLATINUM--GROUP METALS	99
ASBESTOS	94
TIN	99
NICKEL	88
POTASH	80
ZINC	58
CADMIUM	71
TUNGSTEN	73
ANTIMONY	96
SILVER	66
SELENIUM	40
BARIUM	42
TITANIUM (ilmenite)	60
VANADIUM	27
MERCURY	49
GYPSUM	31
IRON ORE	18
IRON & STEEL	15
LEAD	33
GOLD	55
SULFUR	7
COPPER	20

Questions Submitted by Senator Robert C. Byrd

Minerals Health and Safety Technology

Question: The Minerals Health and Safety Technology budget for FY 1983 is thirty-six percent below the FY 1981 appropriation of $59,700,000. Please provide for the record a listing of all projects or activities greater than $25,000 and indicate the FY 1981, FY 1982, and FY 1983 estimated funding for each. Salaries and related expenses and total items less than $25,000 should each be included as one of the activities. Activities should be grouped by Health Engineering Technology or Safety Hazard Reduction and subgrouped by Coal or Metal/Nonmetal within these groups. Funds for each year should be accompanied by a total and appropriate subtotals. Also, please asterisk all activities which are conducted in-house.

Answer: The following table provides a summary of the requested information for Health and Safety Research. It shows funds for the five Health elements and seven Safety elements broken down between Coal and Metal/Nonmetal for each of the years FY 1981 through FY 1983. It is supplemented by a detailed project listing for each of the fiscal years 1981 through 1983 which shows in-house and contract projects. All project amounts are shown net to field and exclude non-project central office costs. These latter costs are shown in the summary table for each year. (The detail listings have been retained in the Committee files).

Minerals Health and Safety Research Technology Program
($000)
Health Engineering Technology

	Coal			Metal/Nonmetal			Total		
	FY 1981	FY 1982	FY 1983	FY 1981	FY 1982	FY 1983	FY 1981	FY 1982	FY 1983
Respirable Dust	2814	3273	2890	665	574	510	3479	3847	3400
Noise Control	1147	1238	937	937	617	405	2084	1855	1342
Industrial Hygiene	1542	1435	1035	555	573	445	2097	2008	1480
Radiation Hazards	0	0	0	1232	872	623	1232	872	623
Ventilation	0	0	0	796	703	428	796	703	428
Total Health	5503	5946	4862	4185	3339	2411	9688	9285	7273

Safety Hazard Reduction

	Coal			Metal/Nonmetal			Total		
	FY 1981	FY 1982	FY 1983	FY 1981	FY 1982	FY 1983	FY 1981	FY 1982	FY 1983
Systems Engineering	5504	3792	2935	512	554	622	6016	4346	3557
Fire & Explosion Prevention	2607	2523	2050	977	541	500	3584	3064	2550
Methane Control	2024	1641	1307	0	340	327	2024	1981	1634
Post Disaster	2099	945	911	174	244	228	2273	1189	1139
Explosives	864	993	740	309	335	247	1173	1328	987
Ground Control	9073	8631	6845	1684	1613	1304	10757	10244	8149
Industrial Hazards	10458	8700	5680	1649	1676	1165	12107	10376	6845
Total Safety	32629	27225	20468	5305	5303	4393	37934	32528	24861
Total Health and Safety Projects	38132	33171	25330	9490	8642	6804	47622	41813	32134
Central Office Costs	2963	3161	4533	908	1040	1156	3871	4201	5689
Total Budget Authority	41095	36332	29863	10398	9682	7960	51493	46014	37823

Question: Your budget justification (on page BM-27) contains the following statement:

> "Research aimed at designing and, in particular, demonstrating immediate remedial measures that reduce unsafe conditions in the mining system will be curtailed. The Bureau will observe whether industry will take the initiative to assume greater responsibility in developing short-term research."

What specific evidence does the Bureau have that industry will assume any of these projects?

Answer: Over the past years, the Bureau has developed a great deal of technology that has been adopted completely or in part by the industry. In the case of hardware development, the industry frequently contributed time and materials, especially in the later stages of the contracts. In almost all cases, the mining industry has provided in-mine test sites at no cost or at a nominal cost. These underground tests required the mines to supply men and materials. Sometimes during the tests, otherwise productive sections were reduced to little or no production while the Bureau collected data or modified test equipment. Thus, industry has participated, especially in providing demonstration sites, for a large number of Bureau projects, although the dollar value of the contribution was seldom documented.

The following table shows the industry contributions to cost-shared contracts in FY 1981, and those estimated in FY 1982.

Project Area	FY 1981 ($000) Industry Cost	FY 1981 ($000) Government Cost	FY 1982 ($000) Industry Cost	FY 1982 ($000) Government Cost
Respirable Dust	777	387	255	915
Radiation Hazards	0	0	110	170
Noise Control	53	129	315	710
Industrial Hygiene	22	51	210	465
Ventilation	0	0	40	400
Subtotal, Health	852	567	930	2,660
Fires and Explosions	0	0	383	257
Methane Control	164	213	780	571
Ground Control	0	0	233	700
Industrial Hazards	107	256	500	200
Post Disaster	0	0	50	100
Explosives	0	0	0	0
Systems Engineering	0	0	90	192
Subtotal, Safety	271	469	2,036	2,020
Total, Health and Safety	1,123	1,036	2,966	4,680

The Bureau has explored short-term solutions to accidents which either aided the industry in complying with regulation or improving the accident record. This type of short-term research is presently being picked up by industry and the Bureau expects this trend to continue. Two such examples are:

Fire protection systems on large vehicles:

> The fleet size numbers 25,000 vehicles of which 10,000 have retrofitted installations. The cost per vehicle installation is from $1,000 to $5,000; return on investment is 14%. Approximately 75% of the manufacturer's fleet of new vehicles have these systems installed.

Spray fan:

> This ventilation improvement costs approximately $300 to $500 and is retrofitted to the continuous miner underground. The system has been installed on 350 continuous miners which provides for improved visibility, ventilation to reduce respirable dust hazards and increased productivity.

The experiences with cost-sharing of Bureau projects by the industry leads the Bureau to conclude that the industry could and will assume a greater role. In addition, the Bureau has concluded that recent legislation will foster greater industry research. Specifically, the patent policy change allows small businesses and universities to receive exclusive licenses for Government patents. Additionally, the new tax credit for research and development expenses should encourage industry research. The reduction in Goverment research costs will contribute to America's economic recovery by reducing

Federal spending while at the same time ensuring the existence of a sound health and safety program.

Question: What has the Bureau done to smooth the transition of this technology development work to industry?

Answer: The transition of technology development to industry has been ongoing for a number of years. The Bureau has regularly pursued cooperative and cost sharing arrangements on research projects with the mining industry. Benefits of this approach go further than merely sharing the cost of the research. The more involved the industry is in our research, and the earlier that involvement occurs, the more likely industry is to accept and utilize the results. Due to these past efforts at technology transfer, and a continuation of them, the Bureau is confident that the responsibility for short-term research will be assumed by industry.

Question: Is it realistic to expect the coal mining industry, for example, to expand its research efforts substantially at a time when the industry is depressed and interest rates are extremely high? In short, isn't this a particularly poor time for the federal government to back away from mining technology development?

Answer: It is not the intention of the Bureau of Mines to abrogate its role and responsibilities in the development of mining technology. It is however, our intention to emphasize more basic longer-term, higher risk activities of broader generic application as opposed to mine-specific demonstrations, a responsibility which more appropriately belongs in the private sector. The Administration views basic research of this type as a vital investment in this country's future and very much a part of the economic recovery plan.

Question: The Administration's FY 1983 budget proposes to transfer the Mining Research and Development programs to the Bureau from the Department of Energy. In view of the decreases in the Bureau's coal mining programs, how will you be able to manage these added responsibilities with only $1,000,000 as requested in the DOE budget?

Answer: The transfer of the DOE coal mining R&D program would need to be accompanied by sufficient resources (funds, people, and personnel ceilings) to accomplish the program objectives. We understand that there is expected to be an unobligated balance in that program in excess of $10 million as of the end of FY 1982. This balance, in addition to the FY 1983 request of $1 million, should be sufficient to discharge any program responsibilities transferred to the Bureau of Mines, pending future decisions on program content.

Question: How will this proposed consolidation improve federal mining research and development programs?

Answer: By returning the coal mining productivity research to the Bureau, research related to all aspects of the mining of all minerals will be consolidated in a single organization. Productivity, environmental, and health and safety problems are interrelated, and many of the productivity problems in coal mining are closely related to those of non-coal mining. An integrated effort unified in one agency should reduce chances of duplication, improve the crossover technology transfer between the coal and non-coal sectors, and lead to more effective use of research resources.

Controlled Burnout

Question: Please describe the controlled burnout program for coal mine fires. How many demonstrations have been conducted, and what has the Bureau learned to date?

Answer: Controlled burnout is a new technique being developed by the Bureau of Mines for the control of abandoned coal mine fires. The experimental technique involves accelerating the combustion of the coal in place, while maintaining total control over the resulting heat and fumes. The controlled burnout technique can be used on both waste bank and underground fires, and the heat produced could be used commercially to recover costs. The Bureau's only demonstration, to date, is at Calamity Hollow in Jefferson Borough, Allegheny County, Pennsylvania. Calamity Hollow was the site of an underground mine in the early 1900's and was then surface-mined in the 1940's. Results of testing, to date, indicate a consumption rate of approximately 10 tons per day; a maximum mine exhaust temperature of 1,000° C; and thermal power levels of 3.5 MW. On-line analyses of the exhaust indicated complete coal combustion at the higher exhaust temperatures, with carbon monoxide (CO) less then 100 ppm, i.e., the exhaust gas is exceptionally clean in terms of low concentration. Efforts are currently underway to increase the burning intensity and exhaust temperature by extending the underground fire zones.

Question: What are the environmental and economic benefits of this approach?

Answer: This technique has several environmental and economic potential advantages and benefits. Fumes from the fire are emitted only at the fan exhaust, and are therefore easily controlled. Postburn incineration can be used to insure complete combustion of soot, carbon monoxide, and hydrocarbons. A scrubber system to remove sulfur dioxide and particulates can be installed at the exhaust point if necessary. Also, complete combustion of the coal removes any fuel for possible future fires at the same site, eliminating the potential for reignition. In addition, the controlled burnout method appears to have the potential for paying at least some of its own costs. Heat produced during the burnout process could be used to generate commercially valuable steam, hot water, or electricity, or to generate power for the burnout generator. The solid residue (known as "red dog") that remains when a coal refuse bank has been completely burned is a substitute for gravel in some commercial applications. The advantages of burnout control of coal mine fires suggests, therefore, that the technique could be helpful for local environmental and energy problems.

Question: Is this a safe technology and is it ready for commercial application?

Answer: Demonstration, to date, also indicates that the technology is safe. There have been inquiries made by several private industry corporations interested in developing technology for controlling the in situ combustion of coal. Commitment of industry to the project will speed technology transfer and should enhance further involvement by the private sector. The Bureau's future role would be to provide consultation on burnout control and analysis and interpretation of data.

Mineral Institutes

Question: What is the present status of the $9,244,000 which was appropriated in FY 1982 for the 31 mineral institutes?

Answer: At present the Bureau of Mines is in the process of making base funding of $150,000 available to each of the 31 institutes, and this base funding will be matched by at least a similar amount of non-Federal funding. Further, the Bureau, pursuant to the Advisory Committee's recommendation of January 22, 1982, approved by the Secretary of the Interior March 12, 1982, is reviewing proposals from the Institutes for establishment of 4 or 5 "Centers of Generic Mineral Technology" each of which will be funded at about $1 million.

Question: Should the Congress provide additional funding for these institutes in FY 1983, does the Bureau favor reorienting the program to emphasize funding for those schools which have a high rate of graduated mineral scientists and engineers compared to the federal dollars invested?

Answer: No. While education at the bachelor degree level is desirable, the main thrust of the Mineral Institutes program should be research in mineral science and technology. Consequently, support of high quality research at "Centers of Generic Mineral Technology" should have priority in funding.

NATIONAL ENDOWMENT FOR THE ARTS

STATEMENT OF HON. FRANK HODSOLL, CHAIRMAN

ACCOMPANIED BY:

ROBERT A. KNISELY, DEPUTY CHAIRMAN FOR MANAGEMENT
NICHOLAS MARAVELL, ACTING DIRECTOR, OFFICE OF ADMINISTRATION, THE NATIONAL ENDOWMENT FOR THE ARTS

PREPARED STATEMENT

Senator RUDMAN [presiding]. The subcommittee will be in order.

The fiscal year 1983 budget request for the National Endowment for the Arts total $100,875,000, a decrease of $42,165,000 below fiscal 1982 appropriations to date.

Mr. Hodsoll, will you introduce your associates, and then proceed to highlight your opening statement. The full text will be included in the record.

Mr. HODSOLL. Thank you, Mr. Chairman.

I would like to first introduce, on my right, Bob Knisely, Deputy Chairman for Management; and on my left, Nick Maravell, who is the Director of Administration at the Endowment for the Arts.

And, as you know, I have submitted my statement for the record, and I will highlight some of the portions of it, if I may.

[The statement follows:]

STATEMENT OF FRANK HODSOLL

This is my first appearance before you as Chairman of the National Endowment for the Arts, and I wish to take this opportunity to acknowledge and thank this Committee for its long-standing support for and understanding of the role of the Arts Endowment. The work of the Endowment is the work of many hands, and it is perhaps foremost a partnership, a bi-partisan partnership, between successive Administrations and Congresses and the arts community. I look forward to working with you in the months and years ahead. Our mutual objective is to help the arts.

Our Fiscal Year 1983 budget request is $100,875,000. We believe this request will allow us to continue to exercise leadership on behalf of the arts. It also reflects the Administration's view that constraints on Federal funding are crucial in turning the tide against the country's economic ills; an improved economy will in turn have a positive effect on the arts.

The arts in America continue to lead the world in terms of excellence, and in exhibition and production of that excellence. There are dozens of regional theaters; there's Broadway; there's Hollywood; there are painters and sculptors everywhere. Post modern architecture begins here. There's a greater variety of first-class orchestras than in any other single country. We are a world center for ballet and modern dance. There are great museums throughout the country. And artists from around the world continue to flock to America. This is a tribute to our country. And, we do this without academies, without official standards -- very much in the enlightenment tradition of the country's founders.

In recent weeks, two important areas served by the Endowment -- theaters and symphony orchestras -- have issued annual assessements detailing the overall health of their fields. The number of performances has grown; audiences have grown; the level of overall funding, i.e., total budgets, has grown; the creative cores of these fields -- playwrights and composers -- have multiplied. Experimentation with new approaches, new versions, new adaptations has not faltered.

There have been great artists in this country since its early days. Thomas Jefferson and Benjamin Franklin were both artists. But the Endowment's establishment in 1965 provided for the first time national recognition, concretely supported, of the importance of the arts to the lives of Americans. It also provided for national leadership to stimulate additional support for the arts — for the new and experimental, as well as the recognized and established.

The Endowment's purpose has always been catalytic -- to encourage excellence and potential excellence, and maximum access to, and support for, that excellence. Concurrent with the development of the Endowment's programs, the country saw a major acceleration in the creation of arts institutions across the country. Americans of all races and economic conditions in all regions now have greater opportunity to benefit from the arts -- with all that implies for enrichment of the society as a whole. And, opportunities for artists to practice their art are much greater than they were 15 years ago.

But we are operating now in an economic environment profoundly different from the Sixties and Seventies. The rate of inflation in 1970-78 averaged 6.6 percent; the annual Federal deficits averaged $27.8 billion. The 1979-81 average rate of inflation was 11.7 percent. We project the budget deficit in Fiscal Year 1983 to be $96 billion.

Reduction of inflation and control of the Federal budget are essential for all segments of our national life. A nation in which over half of private savings goes to finance the Federal debt and in which the prime rate averages 15 to 20 percent cannot finance the long-term investment necessary to improve productivity and sustain real growth.

As we live through 1982, and plan for 1983, it is clear that the arts -- as other sectors -- are faced with economic difficulties. The New York Times reported on February 19 that the economy presented the greatest problem -- with people buying fewer tickets in the current performance season.

I am happy to report that inflation has now come down to an annual rate of one percent based on the first three months of CPI statistics for 1982 (as reported by the Bureau of Labor Statistics on April 23, 1982). I believe the Administration's policies have had an impact on inflationary expectations. If we can keep this inflation rate down over time, we will have eliminated that cruel tax on real earnings that penalizes so unjustly the poor and the elderly.

The next task is to seek a reduction in interest rates. With inflation at one percent, real interest is now on the order of magnitude of 14 to 16 percent -- an unprecedented rate of return. We can expect interest rates to come down as well if financing the budget deficit does not continue to drive the "price of money" upward. Reduced interest rates are very much in the interest of arts institutions, which often have to borrow to make the productions that later are amortized through ticket sales and contributions.

It is within this context that the Administration proposes its FY 1983 budget for the Endowment of $100.8 million. That proposal, incidentally, is some $13 million more than the Administration's 1982 request. The Endowment was one of the very few agencies for which the President proposed a budget increase over his FY 1982 request.

Our budget allocations among programs are based on historic proportionality, with special provision being made for programs like Expansion Arts, Folk Arts, Literature and Visual Arts, which have disproportionately large numbers of individuals or smaller organizations with less access to private support. This emphasis is in line with advice from the National Council on the Arts. We would note that in following a rule of historic proportionality, funding for the Artists-in-Education Program has been maintained within our present request.

The proposed budget is one that will allow us to maintain momentum in increasing private support for the arts. We believe the citizenry will, as they always have, continue to provide necessary support. Private support for the arts has always represented over 90 percent of all support for the arts. That is this country's tradition. And, it is buttressed by the tax deductions allowed for philanthropy. In fact, when one adds in government's tax forebearance, Federal contributions to the arts compare favorably with government support in Western Europe. The difference is that government in this country encourages multiple sources of support; in Europe, central government support is primary.

This is not to say that additional Endowment dollars might not be useful. They would. The arts in America are in general undercapitalized. But this is so at any conceivable Federal budget level. The question is how we can continue to leverage support to assist excellence and access to excellence; $100.8 million provides us with a substantial sum with which to be effective; and, in a small way, that budget will help us move toward a balanced budget overall.

We expect the Endowment's peer panel system, as it has in the past, to continue to help provide the credibility which assists the generation of private support. We intend to maintain and strengthen that system. We also believe the Federal cutbacks will not substantially impact other giving to the arts.

It is interesting to note in this regard that aggregate State arts agency appropriations increased 12.2 percent in FY 1982 (over FY 1981), notwithstanding proposed Federal cuts. While we understand from the National Assembly of State Arts Agencies that some states have recently reduced their arts budgets -- there is still an overall 9.5 percent increase over FY 1981.

Similarly, at the municipal level, there are examples of exceptional leadership and creative approaches for support of the arts. It is clear that for some time now, the level of local government support for the arts has been severely underestimated, with many suggesting a range of $75 to $90 million. David Cwi, who heads the Cultural Policy Institute, tells us that based on a survey he is conducting, it is clear that local public support for the arts amounts to at least $300 million.

There are opportunities. Tax analysts in the Treasury Department believe the growth rate in individual giving will be equivalent in the next four years to the last four -- between 13 and 14 percent. Research by Independent Sector shows that, as a nation, we spend $80 billion per year on recreation; even a tiny portion of this is a vast potential pool for the arts. Corporations give on the average less than one percent of their gross income to philanthropic causes, although the Congress last year raised the limit of deductible contributions from five to ten percent.

Just two weeks ago, the American Association of Fund-Raising Counsels reported that in 1981, despite the nation's economic troubles, individuals, corporations and foundations gave a record $53.6 billion to charitable organizations. This represented a very healthy 12.3 percent increase over 1980, for the first time in three years a "real" gain of 3.4 percent (if you take into consideration the 8.9 percent inflation rate of 1981). Of that $53.6 billion, the nation's cultural institutions received $3.35 billion, in contrast to $2.96 billion in 1980 -- a 13.2 percent increase in one year.

Individual gifts, as usual, accounted for the bulk of the philanthropic giving ($44.5 billion of the total). It was interesting, however, to note that corporate giving -- for all purposes -- was up by more than 11 percent, accounting for $3 billion.

The Business Committee on the Arts, just in January, conducted a poll which indicated that a number of American corporations plan to increase their overall philanthropic contributions in 1982. Many companies expect to increase their gifts to the arts -- both in dollar and in-kind contributions.

There are some recent striking examples of private giving meeting increased needs in the arts world:

-- In Detroit, a city which has suffered as much as any community in our country from the effects of economic ills, the Detroit Symphony expects to raise 43 percent more money than last year.

-- Two months ago, it appeared that the Kansas City Philharmonic had breathed its last. But individuals, with the help of the local media, and with a substantial gift from the Kemper Foundation, saved the day. It was interesting to note, moreover, the Kemper gift was made when the Foundation saw that the Kansas City community indeed wanted that orchestra to survive.

This is not to say that Detroit or Kansas City would not like additional government funds. It is to say that local initiative is there, as it always has been, to maintain arts activities valued by the community.

We need at the Endowment to refine our funding and advocacy techniques to assure we are getting the most for our money. We are, in this connection, reviewing our Challenge and Treasury programs and the relationship of these programs to private support. We also need, on an advocacy basis, to do more to bring potential donors and recipients together, and to develop means to disseminate information on the best techniques for fundraising.

Concern has been expressed in the past that our Challenge and Treasury Programs favor the major arts organizations to the disadvantage of emerging institutions -- providing added support to those who can most easily raise money on their own. This concern is legitimate, and we need to explore improved methods for assisting smaller arts institutions to acquire greater financial and managerial stability. This was the purpose of the pilot Advancement Program (which completes its third and final pilot year in FY 1982).

We are also exploring the concept of improving our capacity as a national clearinghouse for successful fundraising efforts and techniques. Hopefully, the National Information Systems Project (NISP), which is being developed with the Endowment's assistance by the National Assembly of State Arts Agencies, might help in this regard.

Granting Mechanisms

Program and Treasury

Both regular program and Treasury grants require matching of Federal funds; but the required program match is only one-for-one, whereas Treasury requires three-for-one.

The Endowment does not insist through either of these granting mechanisms that the entire match be "hard" or a cash dollar. It may be desirable to emphasize a "cash" match for program grants and new and increased funds for the initial dollar match under Treasury to help induce more local philanthropic support. This emphasis need not be applied uniformly; we would not want, *ipso facto*, to exclude applicants with less financial wherewithal. But it is likely that many grantees, if encouraged, could raise their match in cash.

Rethinking Challenge

Five years since its initiation, it is clear that the Challenge Program has been highly successful in attracting non-Federal funds. Initially, it was thought that the number of potential applicants -- those capable of meeting the high standards of Challenge -- was limited to about 500. To date, 425 organizations have received Challenge grants; we have 211 applications in the FY 1982 round.

Nonetheless, it appears clear that we are approaching the end of the list of qualified potential Challenge grantees under the guidelines as originally structured. It further appears that the vast majority of previous Challenge grantees would like to be eligible for a second round of Challenge Grants -- in many cases to help them raise endowments. We are pointing out to these grantees that they have had access to a stream of Endowment funding over the years -- some program, some Treasury, some Challenge. We are asking them what mix they would prefer to assist them in dealing with what has been characterized as a chronic undercapitalization problem.

Advancement

The Advancement Program was established on a three-year pilot basis in FY 1980 to test assistance to smaller arts organizations of recognized artistic excellence (primarily in the Expansion Arts area) to achieve an improved level of financial and managerial stability. An outgrowth of the Challenge Program, Advancement includes technical assistance to aid smaller organizations achieve a minimum three-to-one match. The pilot was designed to conclude after funding in FY 1982.

Eleven grants aggregating $1.1 million were awarded in FY 1980 and 1981; these grants have been matched to date by $5.6 million, a five-to-one match. Each Advancement grantee has required individualized attention, and there have been problems of assuring adequate quality technical assistance. For these reasons, the program has been confined to 11 grantees at one time.

Despite the problems with Advancement, it is clear the Endowment must find improved means to assist the best of our smaller arts organizations to link up with private sector fundraising. In designing the new Challenge Program, we will attempt to assure an Advancement-type concept which will help, in conjunction with improved Endowment advocacy, the smaller organizations.

Endowment Advocacy

To amplify the effects of Endowment support, funding mechanisms which maximize leverage must be coupled with leadership in encouraging increased giving to the arts by those who are already giving - and first-time giving from those who are providing no support at all.

To this end, we are exploring the development of some kind of national clearinghouse to help in identifying other sources of support for the arts beyond the Endowment and in collecting information and data about successful fundraising efforts. The Administration is also considering establishment of a President's Committee on the Arts and Humanities which would assist local fundraising efforts for the arts and humanities.

We would hope that by concentrating internally on making Federal funds as strong a magnet for non-Federal funds as possible, and by taking a leadership role in helping the fundraising efforts of others on the local level, that we shall move ahead in providing substantial and new help to America's arts institutions.

Administration

The administrative account for the FY 1983 budget increases from eight to thirteen percent of the Endowment's total budget and also increases in absolute terms from $10,910,000 to $12,600,000. Our overall reduced budget does not significantly reduce the administrative costs of reviewing applications and evaluating grantees. While it is undesirable to increase administrative costs in FY 1983, it is unavoidable. We would make the following points in regard to our request for administrative funds:

1. 83 - 84 percent of our administrative costs in FY 1982 and 1983 are relatively fixed (personnel and rent); 80 percent of the FY 1983 increase is related to these accounts.

2. 63 percent of the administrative budget is attributable to personnel. The Endowment has been steadily reducing personnel -- from 325 in FY 1980 to 285 this year. Yet, personnel has risen as a percentage of the total budget from 5.2 percent in FY 1980 to 5.7 percent in FY 1982, and 7.9 percent in FY 1983.

3. Panel costs will increase from $544,000 in FY 1982 to $640,000 in FY 1983. The panel system is crucial to the Endowment's belief that artists and experts, not government staff, make decisions on grant applications, and the maintenance of the peer panel review system at the proper level reflects the concerns of both the Endowment and the Congress.

4. The Endowment's rental charges are expected to increase by more than $800,000 when the Endowment completes its contemplated move to the Old Post Office Building. Were the Endowment to have remained at Columbia Plaza with its current square footage, rent charges would have increased by more than $900,000. The Endow-

ment is very much looking forward to its Old Post Office move -- symbolically important to the housing of government agencies involved with the arts and the humanities.

Currently, discussions are underway with the General Services Administration to determine exactly what supplemental costs will be incurred by the Endowment (e.g., moving costs and special costs for audio and media rooms to permit panelists to judge musical scores and media presentations). Some costs will be incurred in the present fiscal year, and we shall provide those figures to this Committee as soon as we are able, hopefully within the next few weeks.

Conclusion

We feel that the budget we present to the Congress for Fiscal Year 1983 will enable the Endowment to sustain meaningful support to a broad spectrum of the arts -- both artists and arts institutions. We believe our support at this level will help to sustain the great enterprise of the arts that has grown so steadily in the last years.

With this mix of Federal support and new directions in enhancing private involvement in support of the arts, we feel that the arts in America will continue to grow and flourish.

SUMMARY OF STATEMENT

Mr. HODSOLL. Mr. Chairman, this is my first appearance before you as Chairman of the National Endowment, and I would like to thank this committee for its longstanding support for the role of the Arts Endowment.

Our fiscal year 1983 budget, as you've mentioned, is $100,875,000; we believe this request will allow us to continue to exercise leadership on behalf of the arts. And it also reflects the administration's view that constraints on Federal funding are crucial.

I am happy to report that the arts in America continue to lead the world in terms of excellence and in exhibition and production of that excellence. It's a good time, I think, for the arts in America.

The Endowment's purpose, as you know, is catalytic: to encourage excellence and potential excellence and maximum access to and support for that excellence. Concurrent with the development of the Endowment's programs, the country saw a major acceleration in the creation of arts institutions across the country.

But we are operating now, I think, in an economic environment that is profoundly different from the sixties and seventies. The rate of inflation through 1978 averaged 6.6 percent; the annual Federal budget deficits averaged in the $27 to $28 billion range.

On the other hand, from 1979 to 1981, the average rate of inflation was 11.7 percent; and we project the budget deficits in the forthcoming fiscal year in the $100 billion range.

Reduction of inflation and control of the Federal budget are essential for all segments of our national life. A nation in which over one-half of private savings goes to finance the Federal debt, and in which the prime rate averages 15 to 20 percent, cannot finance the long-term investments that are necessary to sustain real growth.

The arts, as other sectors, are faced with economic difficulties. The New York Times reported recently in February that the economy presented the greatest problem, particularly for the performing arts.

I am happy to report that inflation has now come down to an annual rate of roughly 1 percent. Clearly the next task is to seek a reduction in interest rates. We can expect this reduction if financing the budget deficit does not continue to drive the price of money upward. Reduced interest rates are very much in the interest of arts institutions, who often have to borrow to make the productions that later are amortized through ticket sales and contributions. It is in this context that we make our budget proposal.

Our budget allocations among the various programs are based on historic proportionality, with special provision being made for programs like expansion arts, folk arts, literature and visual arts, which have disproportionately large numbers of individuals or smaller organizations with less access to private support.

The budget is one that we believe will allow us to maintain momentum in increasing private support for the arts. As you know, Mr. Chairman, private support for the arts has always represented over 90 percent of all support. And this private philanthropy is buttressed by the tax deductions allowed for that philanthropy. In fact, when one adds in Government's tax forebearance, Federal contributions to the arts compare favorably with Government support in Western Europe. The difference is that Government in this country encourages multiple sources of support; in Europe, central government support is primary.

This is not to say that the National Endowment could not use more dollars effectively. It could. The arts in America are in general undercapitalized. But this is so at any conceivable Federal budget level. We expect the Endowment's peer panel system, as it has has in the past, to continue to help provide the credibility which assist the generation of private support.

We also believe the Federal cutbacks will not substantially impact other giving to the arts. It is interesting to note in this regard that aggregate State arts agency appropriations increased 12.2 percent in fiscal 1982 over fiscal 1981, notwithstanding proposed Federal cuts. We understand from the National Assembly of State Art Agencies that some States have recently reduced their arts budgets, but that is still an overall 9.5 percent increase over fiscal 1981.

Similarly, at the municipal level, there are examples of exceptional leadership, and local public support for the arts amounts now to at least $300 million annually.

There are also opportunities on the private side: tax analysts in the Treasury Department believe the growth rate in individual giving will be equivalent in the next 4 years to the last 4 years. Corporations give on the average less than 1 percent of their gross income to philanthropic causes, although the Congress last year raised the limit of deductible contributions from 5 to 10 percent.

Just 2 weeks ago the American Association of Fund Raising Councils reported that in 1981, despite the Nation's economic troubles, individuals, corporations, and foundations gave a record $53.6 billion to charitable organizations. This is a 12.3-percent increase over 1980, and a real gain of 3.4 percent.

The Nation's cultural institutions received $3.35 billion in 1981 in contrast to $2.96 billion in 1980, a 13.2-percent increase. And I might note that that means that the amount of private contributions going to the arts has increased in proportion to all contributions.

The Business Committee for the Arts just in January conducted a poll which indicated that a number of American corporations plan to increase their overall philanthropic contributions in 1982.

We at the Endowment need, it seems to me, to refine our funding and advocacy techniques to assure we are getting the most for our money. We are in this connection reviewing our challenge and treasury programs and the relationship of these programs to private support.

We also need, on an advocacy basis, to do more to bring potential donors and recipients together, and we are exploring the concept of improving our capacity as a clearing house for successful fundraising efforts and techniques.

In the program area, we are reviewing our current grants to determine exactly what and how we fund in each of the programs in order to try to develop better ways of supporting the arts.

Our analysis would appear to indicate that when one looks across the programs that one might divide what the Endowment in fact does as follows. We support experimentation, the avant-garde, the new. We support individual creativity. We support institutions of the highest quality on a national scale. We support, in limited degree, arts education. We support nonmainstream art in our folk art and expansion arts programs. And we support, as the statute that created us provides, access to the arts—indigenous smaller institutions throughout the land, touring, and media. And, finally, we support professional education and services to the field.

As I come into the Chairmanship of the Endowment, it seems to me there are four issues that are particularly important:

The first involves our doing a better job of providing for a rigorous definition of criteria as to exactly what excellence or potential excellence is, and developing better mechanisms to identify and judge that excellence. This means having better systems of site visits and review of the organizations that we fund, not just before we give a grant, but also after the grant—so that we can measure the progress over time, or, if there is lack of progress, we can also measure that.

Second, with regard to access, we need to develop a better strategy to assure that communities, wherever they may be, whether in rural areas or in inner cities, over time have a chance to have access to the arts. This is not simply a question of funding applications that come in; it is a question of a strategy to assure that we gradually over time ink-blot the country. There is no conceivable budget level at which we could support all of the arts in the country; but it seems to me when we come to access, we have to look at it from the point of view of a campaign to provide that access.

Third, arts education has, in the seminars that we have been conducting recently, surprisingly, or maybe not so surprisingly, risen up as one of the main priorities. And I think in this area, again, we have to look for a strategy. Clearly, the Arts Endowment is in no position to try to fund or even advocate arts education all across the country; but it seems to me we may be able, with the help of the Department of Education—and we are in collaboration with them—to try and raise in the future the priority of arts education as a part of basic education, not simply an addon.

And, finally, as I have mentioned before, we need to refine our methods of funding and advocacy in order to leverage more private dollars with public dollars.

Finally, Mr. Chairman, I would like to make a few points, if I may, on our administrative budget:

The administrative account for fiscal year 1983 increases from 8 to 13 percent of the Endowment's total budget; and also increases in absolute terms from $10,910,000 to $12,600,000. This is undesirable. There is no question about that. But I firmly believe that it is unavoidable.

I would like to make, if I could, just very briefly, the following points:

First, 83 to 84 percent of our administrative costs are fixed. They are attributable to personnel and rent. And 80 percent of this fiscal year 1983 increase is related to these accounts.

Second, 63 percent of the administrative budget is attributable to personnel. The Endowment has been steadily reducing personnel—from 325 full-time equivalent in fiscal year 1980 to 285 this year. And we'll be reducing again by fiscal 1983 to 275. Yet, personnel has risen as a percentage of the total budget—from 5.2 percent in fiscal 1980 to 5.7 percent in 1982. And, it will be 7.9 percent in fiscal 1983, notwithstanding the overall reductions.

Third, panel costs will increase from $544,000 in 1982 to $640,000 in 1983. But the panel costs are essential, in my view, to the maintenance of the peer panel review system at a proper level; and this reflects, we believe, the concerns of both the Endowment and the Congress.

Finally, the Endowment's rental charges are expected to increase by more than $800,000 when the Endowment completes its contemplated move to the Old Post Office Building. Were the Endowment to have remained at Columbia Plaza, our current location, with its current square footage, rent charges would have increased by more than $900,000—$100,000 more than the contemplated increase at the Old Post Office.

Finally, Mr. Chairman, we feel that the budget we present to the Congress for fiscal year 1983 will enable the Endowment to sustain meaningful support to a broad spectrum of the arts. With the mix of Federal support and new directions in enhancing private involvement in support of the arts, we feel that the arts in America will continue to grow and flourish.

We are not just a program. Our effort is, and has to be, basically helping creativity wherever it may exist.

Thank you, Mr. Chairman.

APPLICATION REDUCTIONS

Senator RUDMAN. Thank you very much, Mr. Hodsoll.

Let me just start out by addressing the very last point that you raised:

With the proposed 45 percent budget reduction last year the number of applications submitted to the Endowment was estimated to decrease by only about 12 percent.

The actual budget reduction for fiscal 1982 was only 10 percent below fiscal 1981, yet the applications dropped by 32 percent.

I think those facts are pretty much agreed to.

That being the case, I would like you to explain to the subcommittee why it would be that your panel costs would rise?

It would seem that if you had fewer applications, and if that were to progress in a linear fashion, then your workload on those panels would also decrease; and if anything, the costs might remain stable, rather than increase. We hope they might even decrease.

Mr. HODSOLL. Yes, Mr. Chairman. Thank you.

I think perhaps I might take it in two stages:

First, I think it is unclear that the reduction in applications in fiscal 1982 will necessarily maintain in fiscal 1983.

During 1982 there was a great deal of confusion, as I understand it, out in the field with regard to whether or not the Endowment would have a large budget or a sufficient budget to fund many applications. For example, many of the application reductions came in visual arts, individual fellowships, and in a number of other specific programs. We don't know yet, whether that will maintain.

I think, second, it's important to note that our increase in panel costs is on the order of $100,000 to $150,000, and that represents not really an increase in the number of panelists or the number of panels; but, rather, an increase in the costs of travel for those panelists. We are hoping over the coming year, in fact, to consolidate a number of our panels. But I don't think that will result in dollar terms in less expense.

Senator RUDMAN. In your justification you do state that you are expecting a further 10-percent reduction in the number of applications submitted for fiscal 1983.

Now, if that is so, and we will take your justification as being accurate, that would place the number of applications 40 percent lower than the 1981 level.

If that's the case, let me just suggest to you that travel costs notwithstanding, if there is a 40-percent reduction from 1981, and comparing 1981 to present levels, and knowing how important it is to have funds to put out in the field where they are really going to do the most good for the arts, then I would just suggest to you that maybe you ought to take another look at that.

That doesn't really quite square—you take a 40-percent reduction in applications against an increase for panel and administrative costs at this time.

I won't take it beyond that right now. But I would like you to take a look at it.

Mr. HODSOLL. Yes, sir.

PRESIDENT'S COMMITTEE

Senator RUDMAN. Mr. Hodsoll, there are currently two councils supported by the arts, the National Council and the Federal Council. Total funding for these two activities from your budget is slightly more than $100,000.

It is now proposed that by Executive order there will be established the President's Committee on the Arts and Humanities.

As drafted, all administrative staff support, facilities and expenses of the committee shall be furnished by the two Endowments.

What is the estimate of staff costs and other support for this proposed committee?

And as part of that same question, I expect that the Endowments will be required to pay travel, per diem, and so forth, and remuneration for non-Federal members? How much is that going to cost per year?

Mr. HODSOLL. We obviously don't have a firm fix on it. But our estimates would indicate a maximum of four people being detailed. I think initially it would probably be just two people, a professional and a clerical person. But if there were four people, and if one counted in travel and transportation, we estimate at this point a maximum of $240,000 or thereabouts a year. And that would be split between the two Endowments.

So we are in the neighborhood of $100,000, say, to $150,000 for each Endowment per year, something like that. We estimate that the travel and per diem for the non-Federal committee members will cost $24,900.

Senator RUDMAN. Is that estimate based on a specified number of meetings?

Mr. HODSOLL. It is based on 15 persons attending four meetings per year at an estimated average cost of $415 per person per meeting.

Senator RUDMAN. That committee would be empowered to accept grants, gifts, bequests of money, and so forth, and the money will be deposited to the Treasury for furtherance of the functions of the committee, according to the Executive order.

Will you give us some specific examples as to how those funds would be used?

Mr. HODSOLL. Those funds primarily, Mr. Chairman, would be used to assist the committee with its activities. We have provided that the committee would have no power to make any grants with those moneys.

What we had in mind was that if there were a need for entertainment or for travel to help kick off a fundraiser in a city that moneys could be donated for that purpose.

As you know, the Endowment itself has that provision, and we use moneys largely for that purpose as well. We estimate that the travel and per diem for the non-Federal committee members will cost $24,900.

Senator RUDMAN. Is that estimate based on a specified number of meetings?

Mr. HODSOLL. It is based on 15 persons attending four meetings per year at an estimated average cost of $415 per person per meeting.

Senator RUDMAN. Who would control the expenditure of these funds?

Mr. HODSOLL. The expenditure of these funds would be managed by an Executive Director of the President's committee, who would be detailed to the committee. Reports on the expenditures of these funds would be submitted both to the Chairman of the President's committee and to the National Endowment for the Arts and to the National Endowment for the Humanities.

Senator RUDMAN. Well, I would expect that with your administrative budget under great pressure that that might be a reasonable use of private funds if you would consider those to be used for administrative costs as well.

Mr. HODSOLL. Those would be administrative costs.

Senator RUDMAN. In view of the fact that the Endowment already feels that its administrative budget is insufficient, why would not the

President's committee reimburse the Endowments for staff and other support services from the amounts collected?

Mr. HODSOLL. It is anticipated that the amounts collected will help service the committee's activities. However, we deem it inadvisable to place the committee in a fundraising mode to sustain the committee when its fundraising efforts should be directed toward support of artists and arts organizations.

Senator RUDMAN. Is there any reason why the Federal Council could not carry out the proposed functions of the President's committee or vice versa; any reason why the new committee couldn't take over the activities of the Federal Council?

Mr. HODSOLL. Non-Federal members are needed on the committee to help generate private sector support as these individuals will have the network of contacts within the private sector community.

Because the new committee's mission would be directed toward generating private sector support, it is inadvisable to mix that mission by placing upon it the burden of insuring coordination of Federal programs in the arts and humanities. We believe that this effort is best left in the hands of a group exclusively comprised of full-time Federal employees.

NATIONAL CLEARINGHOUSE

Senator RUDMAN. Under the heading of endowment advocacy, on page 10 of the justification, is a statement that the Endowment is exploring the development of a national clearinghouse, which, among other things, would "develop and disseminate examples of fundraising techniques."

Do you consider that a proper and authorized activity of your agency?

Mr. HODSOLL. Well, we are under our statute authorized to undertake projects in support of the arts. And I would certainly think that a project which would assist in the dissemination of information about how one might raise money for the arts would be in support of the arts.

In fact, we had prior to my coming on board, funded the State arts agencies in part to establish the national information systems project. And it's really quite remarkable, Mr. Chairman, what in fact has been accomplished: 50 States and 6 territories have agreed on a common computer language. That's no easy task.

I think that we also fund many of the service organizations to undertake similar activities. The problem is there is no common place where anybody can go to get the best information on how one in fact raises money for the arts—whether it be techniques for private fundraising, or tax breaks or other things that might be achieved at the local level.

So we thought it would be useful to undertake this effort.

Senator RUDMAN. But let me suggest to you: I suppose it's possible that some of the anticipated donations of funds to the President's committee might be more properly used for that kind of an activity, to design fundraising activities; rather than using appropriated funds.

There's no language that says "yes" or "no" to that right now. But just looking out into the future, and your being back here next year, it might be a better use of funds to use some of those funds for that activity, rather than appropriated funds for teaching people how to raise funds.

Now, do you want to respond to that, or do I misunderstand you?

Mr. HODSOLL. No; I think, Mr. Chairman, that we are not talking about actual fundraising, but information in this regard.

We fund arts institutions in virtually all of our programs; we help provide in effect the salaries for development officers in a number of programs; we help fund, for example, in inter-arts, the volunteer lawyers for the arts. So we are already engaged across the board in a wide variety of activities which help in effect the arts institutions to raise money.

Indeed, I think that was the intent of Congress, because it was provided in the statute that in normal cases money we spend must be matched at least one-for-one.

And with respect to smaller institutions, which don't automatically have access to fundraising, we provide them a great deal of technical assistance. The clearinghouse idea is really in the same genre. I really do think that this is a proper use of appropriated funds.

Senator RUDMAN. If you decide that a clearinghouse is a worthwhile undertaking, do you propose to fund it from available resources in the current year or from a portion of the fiscal year 1983 request?

Mr. HODSOLL. We propose to begin developing the information base in fiscal 1982, using our planned staff and administrative resources. It is not anticipated that the gathering of such information will place an undue burden on staff. The ordering and dissemination of this data would be an activity taking place in fiscal year 1983 and would be supported by the budget we are submitting.

MOVE TO OLD POST OFFICE BUILDING

Senator RUDMAN. I would like to know how you plan to pay for your move, since the reprograming request has not been approved. There are no funds mentioned in your justification.

How are you going to pay for the move? Or are you going to do it on a weekend by yourselves? [Laughter.]

Mr. HODSOLL. Well, as you know, we are coming up in the pay supplemental for our personnel cost increases.

With regard to the move, we are in the process now of working out with the General Services Administration exactly what level of funding will be needed for the move. Some of that will be required in 1982, some of that will be required in 1983. And that depends on exactly when we move.

So I suspect, Mr. Chairman, that we will be back to this committee and the equivalent committee on the House side with a request for some additional moneys. But I don't have a specific sum for you at his point.

Senator RUDMAN. We also understand that there are certain construction costs that have to be paid for prior to the move. We would suggest at the earliest opportunity you tell us what those requirements are?

Mr. HODSOLL. Yes, sir.

MATCHING REQUIREMENTS

Senator RUDMAN. Mr. Hodsoll, your program funds require a one-to-one match; Treasury funds are to be matched three-to-one.

What portion of the required matches are in cash, and what portion are in-kind; and how do you assess values for in-kind contributions?

It's an age-old question in Federal funding.

Mr. HODSOLL. It's a very fair question.

At the moment the amount of actual cash is flexible in all our programs, although in the challenge program, new funds have to be generated under the existing guideline.

I think that one of the things that we need to look at, and we are looking at for the future, is how to insist upon more cash match than we do at present.

The present system, Mr. Chairman, is for the panels to look at the financial situation of the different applicants, and once they decide that the applicant is artistically excellent, to make a judgment as to how much cash-match there should be.

But I would have to also admit, having reviewed a lot of grants, that we're a little soft in this area; and we need to tighten up. In general, however, program funds are matched on a one-to-one basis. Of the approximately 4,000 program grants in fiscal year 1981, excluding grants to individuals and cooperative agreements, less than 1 percent used in-kind contributions as their entire match. About 30 percent applied some in-kind contributions toward their match. Treasury fund grants matched three-to-one, require a cash-match to release the Federal portion of the grant. The remaining portion of the match may include in-kind contributions, but this occurs very infrequently with Treasury grantees.

CHALLENGE GRANTS

Senator RUDMAN. Regarding challenge grants, the original submission for fiscal year 1982 stated that the Endowment would accept applications from organizations for a second challenge grant. The second-award concept was eliminated as part of the March budget revision.

Since Congress substantially increased the budget request, are you using any of the 1982 challenge grant funds to support organizations which have received a prior challenge grant?

Mr. HODSOLL. No, sir, we are not.

The 1982 challenge funds that have been appropriated are being used at this point with respect to a round of challenge applications that has just come in under the old guideline. I don't know whether all of those funds, which, as you know, are 2-year funds, will be expended in this fiscal year.

Our consideration of new guidelines for challenge, which might be more flexible, will affect the fiscal 1983 year, not the 1982 year, unless there are some funds left over.

Senator RUDMAN. Of the $7,364,000 requested for challenge grants in fiscal year 1983, how much do you anticipate will go to organizations for a second challenge grant?

Mr. HODSOLL. By this August, the Endowment will have made challenge grants, on a first-time basis, to 500 arts organizations across the country. These grantees represent a broad universe of the finest arts organizations, and those which have the greatest ability to use the challenge mechanism most effectively. It is likely, therefore, that 75 to 80 percent of the $7,364,000—or $5,750,000—would be awarded to organizations that have previously received a challenge grant.

Senator RUDMAN. Has any consideration been given to increasing the matching requirement for those applying for a second challenge grant?

Mr. HODSOLL. The Endowment is moving to increase the matching requirement for its regular project grants. However, the current rigors of matching a challenge grant with new moneys may not permit increasing the minimum match of three new, non-Federal dollars for each Endowment dollar.

REGIONAL REPRESENTATIVES

Senator RUDMAN. I will move on briefly to the subject of regional representatives for which $900,000 is requested.

From the justification it appears that there's some doubt about the future of this program. When will you be in a position to say how much will actually be spent for regional representatives from the fiscal 1983 budget?

Mr. HODSOLL. It is an issue that we brought to the Policy Committee of the National Council on the Arts a couple of weeks ago.

We are in the process of completing our review. We will be discussing it with the National Council, which meets the first week in May; and shortly thereafter, I think we will be in a position to make our decision.

At that point, we would want to come up and consult with this committee and the House Appropriations Subcommittee, as to exactly what we would do with the program, and with the money.

This budget submission, if I may, Mr. Chairman, represents the historic situation. We did not wish to prejudice it one way or another, this way.

PROGRAM REDUCTIONS

Senator RUDMAN. Now, your program reduction is in the range of 30 to 40 percent below the fiscal 1982 level, with the exception of folk arts, reduced by 15 percent, and literature, reduced by 16 percent.

Would you just explain the policy rationale for this seeming difference between these two programs and the others?

Mr. HODSOLL. Yes, sir.

Actually, the expansion arts and visual arts programs also are receiving smaller reductions.

The reason for that is that those programs have a disproportionate number of individuals and very small organizations. And it is our view that with budget cuts these organizations and individuals will have a more difficult time raising money on the outside; and, therefore, we wanted to preserve a degree of hold-harmless in those programs.

I am reminded by my colleague on my left, if I may, that this was also the recommended policy of the National Council.

ADMINISTRATIVE INCREASES

Senator RUDMAN. Senator Burdick, do you have some questions?

Senator BURDICK. Thank you, Mr. Chairman; yes, I have.

Mr. Hodsoll, with arts organizations around the country, operating in the face of reduced budgets this year, and cutting their own administrative expenses, how do you justify an increase in your administration and a decrease in the program money for next year?

Mr. HODSOLL. Senator Burdick, the reason there is that our administrative expenses are largely fixed.

As I was mentioning, sir, 80 percent—84 percent, roughly—of our administrative budget is represented in personnel costs and rent and utilities. And we have very little control over that, unless we undertake a large-scale RIF or the like.

We believe that the administrative evaluation of our grantees, notwithstanding the potential projected 10-percent reduction in applications, requires us to maintain this level.

I might add one other point, if I may: over the last couple of years we reduced our personnel at the Endowment from about 325 down to 285 this year. And we will be down to 275 next year. So we are making major efforts at streamlining.

Nonetheless, with the increased costs of personnel and of rent, these budget figures are necessitated. I regret them, but I don't know any way out.

Senator BURDICK. Well, where are administrative costs being cut in other departments?

Mr. HODSOLL. Well, we are cutting our in-kind expenditures. We are reducing the amount of square footage. And we are reducing personnel.

The problem is that the increased costs of individuals more than make up for the reductions in force.

Senator BURDICK. You're reducing program funding; there's less program money.

Mr. HODSOLL. There is less program money as well; that is true, sir.

Senator BURDICK. A significant reduction.

Mr. HODSOLL. Well, the question is, how much—when you come in 2 years from 325 down to 285, that's a pretty significant reduction. And OMB has it down to 275.

I don't think we can do more in an orderly fashion. We are undertaking, I might add, Senator Burdick, right now, a study of our professional personnel, and whether we've got them allocated in the proper way.

But even if that resulted in some major savings, you have to do it by attrition over time; otherwise, if you go into a RIF procedure, you sometimes lose some of your best people. And I would hope I would not have to do that.

Senator BURDICK. I am sure you see what I am getting at: that we need more for programs and less for administration.

Mr. HODSOLL. I think over time we will have that, sir. But we can't achieve this in fiscal year 1983.

Senator BURDICK. Did I understand from you that contributions won't go toward programs, but toward administration?

Mr. HODSOLL. I am sorry, contributions from where?

Senator BURDICK. Private contributions.

Mr. HODSOLL. Private contributions. First of all, we don't take in private contributions in any major way. But the private contributions that are leveraged by our grant dollars all go to the arts institutions. None of it comes into the Endowment administration.

Senator RUDMAN. I believe Senator Burdick may be referring to the President's committee where there will be contributions.

Mr. HODSOLL. Oh.

That will all go to arts institutions. We don't want any of that money coming into Washington.

ROLE OF PRESIDENT'S COMMITTEE

Senator BURDICK. A proposed President's Committee on the Arts and Humanities would establish a group to advise the President on the effectiveness of Federal support for the arts with respect to stimulating private giving. This group would also promote private sector support to the arts.

Aren't these activities already within the responsibility of the National Council on the Arts?

Would the opinion of one group override that of another in the event of conflicts?

The question is: Isn't that responsibility already there?

Mr. HODSOLL. I don't think so, sir, in specific terms. The National Council on the Arts, by statute, is established to advise the Chairman on the policies and practices of the Endowment and on the specific grants that are made by the Endowment. It does not, nor is it constituted to, assist local communities with private fundraising.

The purpose of the President's committee is to concentrate solely on the issue of assisting with private fundraising. Its recommendations to the President would be, I imagine, largely ones involving useful things that could be done by the Endowment to assist private fundraising.

But it would have absolutely no authority over the Endowment or the National Council on the Arts, which would remain as constituted under the statute.

FISCAL YEAR 1983 BUDGET REQUEST

Senator BURDICK. Your proposed budget for fiscal year 1983 cuts back current funding, yet the administration's request for NEA is above that of last year.

By what justification did you arrive at that expression of increased need for the arts in this year's budget over last?

Not that I'm against it, but I'm wondering what the reason is?

Mr. HODSOLL. The increased budget—I am sorry, Senator, in which?

Senator BURDICK. I understand that the administration's request is higher than last year's?

Mr. HODSOLL. Oh, in terms of our previous administration request. Yes, sir.

We felt that, notwithstanding the overall budget deficit situation that I described in my prepared testimony, the arts and the humanities both needed some degree of increase in light of what the President's task force had said about the needs.

And so for those reasons we increased our budget request above what we had requested in fiscal 1982.

We also looked at what the Congress had in fact suggested and done last year, and, as you know, we accepted in the Interior Appropriations bill, the sum of $143,040,000 for fiscal 1982.

Senator BURDICK. Have you got a figure for the dollars requested for this year?

Mr. HODSOLL. The dollar request this year, sir, is $100,875,000.

Senator BURDICK. What was the appropriation last year?

Mr. HODSOLL. $143,000,000.

Senator BURDICK. That's a reduction.

Mr. HODSOLL. It is a substantial reduction from what happened last year, but an increase over the President's fiscal year 1982 budget request, as you noted, sir.

Senator BURDICK. Thank you.

Mr. HODSOLL. Again, our reduction, as I was mentioning earlier in my testimony, is not occasioned by any feeling that the Arts Endowment could not usefully spend more money. It was occasioned by the need to tackle in these hard times the enormous budget deficit that's come before us.

Senator BURDICK. Well, regardless how you cut it, you are in this budget going to have $40 million less.

Mr. HODSOLL. That is correct, sir.

Senator RUDMAN. That's assuming we all agree here. [Laughter.]

Senator BURDICK. That's an assumption I may not agree to.

Senator RUDMAN. Mr. Hodsoll, I just want to wind up with just one point.

REVIEW OF PANEL SYSTEM

I can understand very clearly from prior experience that as your appropriated budget goes down, you cannot have necessarily a proportional decrease in staff. You might well submit to us that with the identical staff you have now, you could probably handle an increase of *x* amount of funds, because you have to have certain people in place; and you have to have them there.

That's true in a factory, that's true in a law firm; that's true in almost any place at all. So you can't have a linear reduction.

But it just seems to me, and I would like you to look into this and, for the record, reply in more detail: look at the grant applications, from 27,000, down to 18,000, and now 16,000.

Now, assuming that is so, it seems that you ought to take a very hard look at your whole panel system, and whether, had it been organized at a time when there was a $100 million appropriated budget to deal with, instead of what you did deal with, $150 or $140 million, or some-odd, that you might have structured it somewhat differently.

It doesn't seem logical that you would actually have an increase in peer panel review costs with this kind of a marked decrease in applications over a 3-year period.

That is not the same as your administrative costs. That's a different kind of a structure. You have to have them in place. I've run organizations; I know what that's like.

But there is a difference when you are talking about reviewing applications, which essentially takes time. And for the record, I would like you to submit to the subcommittee—and I am sure Senator McClure would be anxious to see it, also—how you might revise your peer review system so we might have more of this money available for programs.

Because even a few thousand dollars for some of these small programs can be a God-send.

I think it is incumbent on us if we are dealing with less funds to make them go a greater distance. One of the ways we might do it is to reduce the way we spend money to choose these, without reducing the quality.

Mr. HODSOLL. I would be happy to do that, Mr. Chairman.

Let me make just one comment on the record now. And I'll submit a detailed response to you.

And that is that as I sit in on panels and review grants and our site visit reports, I think that in a number of programs we are in effect deficient in the way in which we administer the Federal funds.

We need to have a better system. In some of our programs we do have that better system, but we need it across the board.

But let me return to you on that.

[The information follows:]

We have been reviewing and tightening our panel operations during the past several months. In this, we have seized every opportunity to reduce panel costs. The total number of panelists has been reduced from 612 to 504. Wherever possible, funding categories are being consolidated, reducing the number of separate panel meetings required. In other cases, meetings are being scheduled back to back so that they can share some of the panelists, thereby reducing the number of airfares. By scheduling more policy work at regular panel meetings, we expect to reduce the number and length of special policy panel meetings. We are reviewing panel procedures for ways to reduce the length of meetings. We are making full use of special Government airfares under GSA contract, to hold down panelist travel costs.

At the same time, we have had to deal with the quality of panel activities, as well as the cost; and our review has revealed some serious problems which must be addressed promptly to assure the essential level of quality and fairness. In many cases, the number of panelists attending a meeting must be increased, to provide the range of expertise, geographic coverage, and aesthetic viewpoints that are essential. The number of panelists at a meeting is not determined by the number of applications, but by the depth and quality of judgment that must be applied to each. Thus, a six-member panel could not be cut to three members if the number of applications fell from 2,000 to 1,000. While we work to streamline the conduct of panel meetings, we must also deal with the effects on the quality of judgment when meetings extend late into the night, or important topics are dealt with inadequately or not at all under unreasonable time pressures.

In addition to these important work factors, continuing increases in a variety of costs such as air travel will further offset the savings we are achieving in panel activity.

Our panel system was initally organized not at the $150 million budget level, but in the early days when the Endowment's budget was in the $10 million range. The system has been adjusted to changing conditions over the years. In this first year of my chairmanship, the review process has been especially rigorous, with more extensive changes than normal. The actions required to assure an acceptable level of quality would have required much higher cost estimates had we not looked simultaneously for cost savings.

It is worth noting that the total days spent by all of our panelists in panel meetings each year amounts to approximately the full-time equivalent of 8.5 employees. These panelists, who are all eminent in their fields, are compensated at the rate of $75 per day—roughtly the first step of a GS-9. And, of course, they receive no compensation at all for the days they spend reviewing applications before they come to the meetings.

In effect, the services of these hundreds of top-flight experts are one of the greatest bargains in Government. But they will remain bargains only if they are able to provide outstanding service. The funds requested for fiscal year 1983 are calculated to assure that result, and not a penny more.

ADDITIONAL COMMITTEE QUESTIONS

Senator RUDMAN. Thank you very much.

We appreciate your being here this morning. We do have additional questions which we'll ask you to respond to for the record, as well as the last one which I asked you, which I would particularly would like to see a reply to.

Mr. HODSOLL. Yes, sir.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Question: On the average, support for the arts provided by the states increased 12 percent in the last year. Do you anticipate that this rate of increase can be sustained over the next few years?

Answer: The National Assembly of State Arts Agencies reports that some states have recently reduced their arts budgets. There was still, however, an overall increase of 9.5 percent. It is too early to say whether the current rate of increase can be sustained.

Question: Has there been any significant increase in support from the private sector?

Answer: As I noted in my opening testimony, the American Association of Fundraising Counsel reported that in 1981 a record $53.6 billion was given to charitable organizations. Of that, cultural institutions received $3.35 billion in contrast to $2.96 billion in 1980 -- an increase of 13.2 percent in one year. And, according to a survey conducted by Yankelovich, Skelly and White, about six in ten of the companies studied planned to increase their philanthropic contributions over the next few years (in real dollars adjusted for inflation). Among the Fortune 1300 companies that plan increases, it is predicted that in three years their giving will be 28 percent above the current level in real inflation-adjusted dollars. The comparable figure for intermediate size companies is 27 percent and for smaller companies, 25 percent.

Question: The Treasury Program is under review and apparently there is some thought being given to changing the matching requirement or focusing the program in new directions. When do you anticipate reaching a decision on the future of Treasury grants?

Answer: A decision will be made on the level of Treasury funds we seek during the course of the next several months, as we develop our FY 1984 budget. I expect to share a recommendation on this issue with the National Council on the Arts in our August 1982 meeting and make a final decision before submitting our FY 1984 budget to OMB.

Question: Will the funds requested for Treasury grants in fiscal year 1983 be used in accordance with the program guidelines now in existence?

Answer: We are revising a number of our guidelines, but we do not expect currently contemplated changes to impact Treasury Funds.

Question: According to information earlier provided to the Committee, 14 positions in grades GS-14 and above have been vacant following the election and most have not been filled to date. What has been the savings attributable to those vacancies?

Answer: The 14 vacancies have not resulted in significant "savings." Allowance for these vacancies was already built into the FY 1982 personnel cost estimates which appear in our FY 1983 budget request and which formed the basis for our pay supplemental request. When we indicated in our reprogramming request that the $166,000 included for personnel costs (which was requested in lieu of a pay supplemental) would "allow us to hire for the critical senior employee positions that remain vacant," we were not implying that all 14 positions would remain vacant unless and until additional funds were made available, and then all be filled immediately. Rather, we were pointing out by way of amplification of our request that the increased personnel expenses which would be incurred as the vacancies were filled were among the reasons that additional funds were needed.

We assumed in our cost estimates that the 14 senior vacanies would be filled gradually throughout the fiscal year as compensating vacancies occurred at lower levels through attrition. Despite the senior vacancies, the existing on-board staff at the beginning of the fiscal year was equivalent to 293 FTE, eight FTE above our FY 1982 ceiling. It was, therefore, beneficial to reduce staff size through normal attrition before filling all of the senior vacancies. In short, our cost estimates assumed a stable staff size, but a gradually increasing average grade level with attendant higher costs as higher-level personnel are substituted for lower-level personnel.

Our mid-year review indicates that actual personnel costs for the year may total $70,000 more than the $8,115,000 estimated earlier. This increase, which represents an estimation error of less than one percent, is attributable to higher than expected terminal leave and personnel benefit costs.

Question: More than 50 percent of your staff is devoted to what the Committee would consider to be the administrative activities -- that is, they are either located in the Chairman's office or in the office of the Deputy Chairman for Management. Why are so many positions devoted to the administration as opposed to programs?

Answer: The 275 staff that we employ provide various services, all of which enable the Endowment to fulfill its legislative requirements and to achieve the mission and goals of the agency.

While it is true that 50 percent of the staff occupy positions which are indicated under "Chairman's Office" and the "Deputy Chairman for Management," it is incorrect to suggest or assume that all these persons' functions are entirely administrative.

The agency, for organizational and managerial purposes, is divided into four sections: the Chairman's Office, Programs, Partnership, and Management.

The Chairman's Office is assisted by various staff offices (Policy, Planning and Research; Public Affairs; Congressional Liaison; and the Office of the General Counsel). These offices formulate policy and develop agency plans. They are not "administrative" in the normal sense of that word. These offices serve the Chairman and the Programs.

Under Management are the Grants and Information Management Office and the Finance Office; both of these track the receipt and processing of applications, the awarding of grants, and the disbursement of funds. Although these functions are administrative in nature, they are inextricably related to the application and grants activities of the Programs.

The Audit Office monitors grantees (and potential grantees) for possible unstable financial status in order to assure the Endowment that grant dollars are going to organizations of durability. Auditing is done at the request of the Programs. The Contracts Office works primarily with program contracts requested and established by the discipline areas. Even the Personnel Office (which clearly assists the Programs with their specialized staffing needs) has 12 clerk-typists which have been hired by the Endowment as "floaters" to provide program support, where needed, on a demand basis.

Moreover, many of the "administrative" positions the Committee refers to in its question are placed outside the program discipline areas more for organizational efficiency than as a delineation of function. In the Personnel Summary prepared for the FY 1983 Appropriations Request (P. 153 attached), one can identify several "administrative" units which, in the support that they provide in the grants process, actually are not functionally separable from the program areas. Like program personnel, members of these units are solely or primarily concerned with reviewing and processing grant applications. They differ from program personnel only in that it is more efficient to make their services available to all programs as needed rather than assign them to work only for individual programs. They all work together to accomplish the same overall tasks.

Question: In reviewing your allocation of program staff among the various categories it is difficult to determine the rationale behind the distribution from either the number of applications received or the size of the program.

Using fiscal year 1981 actual figures, the program dollars granted per staff ranged from a low of $29 per staff for Design to a high of $2,707 per staff for Theater. On the applications side, in fiscal year 1981, there were 67 applications per staff member in the Folk Arts Program and 1,190 applications per staff in the Visual Arts Program.

On what basis do you assign staff to the programs?

The justification emphasizes the Endowment's position that administrative costs cannot be reduced because most of the funds are for salaries. We would like to determine why staff can't be reduced. In the Theater Program, for example, in fiscal year 1981, the program dollars per staff were $2,707. In fiscal year 1983, the program dollars per staff decreased to $1,297. The applications processed by the Theater division averaged 301 per staff which will be reduced to 183 per staff in fiscal 1983.

In the Visual Arts Program an average of 1,190 applications per staff were processed in 1981 and that will decrease to an average of 570 per staff in fiscal 1983. Why shouldn't we reduce the staff accordingly?

Answer: The Endowment assigns staff to each Program Office in light of three workload factors:

(1) the volume of applications and grants,
(2) the kind of applicant and grantee, and
(3) the nature of the Program's discipline area and the Program's role in that area.

In response to government-wide reductions initiated by the Office of Management and Budget, the Endowment will reduce its personnel from 297 at the end of FY 1981 to 275 in FY 1983.

Program Offices under the Deputy Chairman for Programs will have their staffs reduced from 112 to 103. By FY 1983, six out of fourteen grant-making Program Offices in the Endowment will have six or fewer staff members. The two programs with the largest projected reductions in applications (Music and Visual Arts) are reduced accordingly.

Further, the staff for the Directorate for Management -- many of whom process applications and grants -- will be reduced from 117 to 103.

In addition, the Endowment is currently in the process of reviewing its professional workloads and will make further adjustments in light of that review. In reviewing a Program's workload in terms of applications and grants, the Endowment considers the number of applications received and grants awarded. Dollars awarded per staff is not a reliable workload measure since the time it takes to process an application or a grant does not depend upon the amount of money awarded. The kind of applicant or grantee, however does affect the workload. For example, individual fellowship applications require less handling then project applications. Further, applications from organizations with complex management and artistic activities result in greater workloads than those imposed by similar applications. And, applications from emerging organizations (particularly in the Expansion and Folk Arts areas) require more time than applications from managerially more sophisticated organizations. Finally, the role a program plays in support of its discipline can also affect the workload; advocacy efforts are more staff intensive than grant-making efforts.

As was noted, the Visual Arts Program averaged 1,190 applications per staff, whereas the Folk Arts Program averaged 67 applications per staff. However, the figure of 10 staff members for the Visual Arts Program represents the Program's staff at the end of FY 1981. As FY 1980 ended and FY 1981 began, the Visual Arts Program had 14 staff members. In addition, five to six program aides carried under Personnel were assigned to Visual Arts to handle applications during peak periods. Thus, to obtain a more accurate figure of applications/staff in Visual Arts throughout FY 1981, it would be more appropriate to divide the 11,900 applications by 20 rather than 10 with a resulting workload of 595 applications per staff.

Comparison of this adjusted figure (595) to the Folk Arts applications/staff ratio (67) reflects two additional factors:

(1) Fellowship vs. project applications/grants: the Visual Arts workload is largely composed of fellowship applications which require less handling than project applications (even so the Visual Arts staff has worked hours of overtime) whereas approximately 90 percent of the Folk Arts Program's grants are projects which typically require more handling than fellowships; and

(2) Constituency: the Folk Arts Program has a different constituency with applicants such as American Indian groups, small crafts organizations and rural community organizations which are apt to require technical assistance above and beyond that required by a more typical organization which receives an Arts Endowment project grant.

Because of its high volume workload, the Visual Arts Program has simplified its organizational guidelines and adjusted its guidelines for individuals to alternate fellowship application deadlines to every other year. As a result, the Program has already reduced its staff from 14 people in early FY 1981 to 10 in FY 1982 and will eventually reduce its staff to eight in FY 1983 when the fellowship application deadline shift is completed. Thus, the Visual Arts Program's efforts to reduce costs serve as a model for the Endowment; by restructuring the Program's deadlines and reorganizing the staff, the Program has reduced personnel and panel costs while at the same time reducing the application/staff ratio and thus improving staff processing of applications.

The Design Arts Program handles fewer applications or grants per staff member than Theater, as noted. This reflects the different roles assumed by the program offices within their disciplines: The Theater Program stresses the grant-making process, whereas the Design Arts Program assumes an advocacy role within its discipline which requires intense staff efforts.

The Theater Program is currently the second smallest program office in the Endowment. The one staff person to be added to the Theater Program in FY 1982 is the Program Director, a position which has been vacant for some time. This will enable the Program to correct the previous understaffing and allow better service to the field.

Question: The justification lists several actions which are being taken to reduce travel costs — use of supersaver tickets, reducing the number of panel meetings and streamlining the voucher procedure. Yet, with all of this, the budget requests an increase of 36 percent over the amounts available in fiscal years 1981 and 1982. In addition to this, some program funds are used for travel. What is your estimate for fiscal 1983 of the program funds which will be used to support additional travel beyond that contained in the administrative account?

Answer: No fiscal 1982 or 1983 program funds will be used for staff travel.

The 36 percent increase in the amount requested for fiscal 1983 refers to travel and transportation of staff and Council only. Panel members' travel expenses are included as part of their contractual agreements and are paid out of the "other contractual services" classification. Travel funds pay not only transportation expenses, but lodging, subsistence, and incidental expenses, as well.

With all Program Director positions filled during the entirety of fiscal 1983, staff travel needs will be greater than in fiscal 1982. It is important that all Program Directors stay in close contact with the constituents in their fields. Only through such close contact can the Program Directors acquire and maintain the up-to-date knowledge they need to evaluate the needs of the field and applicants' ability to successfully carry out proposed projects. Important as such contact is for incumbent Program Directors, it is doubly important for the seven new Program Directors who will be appointed during fiscal 1982.

In addition, fiscal 1981 and 1982 are not a good basis for comparison. In FY 1979, $437,000, or 4.4 percent of the total administrative budget, was available for staff travel. In FY 1980, this amount was $446,000, or 3.7 percent of the total administrative budget. Although the sharp drop both in total amount and percent of the total administrative budget in FY 1981 and 1982 (2.2 percent and 2.5 percent respectively) was attributable in part to genuine reductions in travel costs, it was even more the result of having to curtail staff travel below acceptable levels in order to cope with a combination of reduced administrative funds and rising fixed costs. One consequence of this reduction in travel funds has been a cutback in Council travel. Another undesirable consequence has been a deterioration in smaller arts organizations' access to reliable and timely information on the Endowment's programs and activities.

Although our travel fund request for fiscal 1983 is still far below the amounts available in fiscal 1979 and 1980, we are requesting an increase over the amounts available in 1981 and 1982 in order to restore staff and Council travel to more acceptable levels. The increase from fiscal 1982 will also help to offset an expected increase in the cost of government contract airfares.

Question: As noted, you plan fewer panel meetings and a reduction in the number of applications which will be submitted to the Endowment, yet your request for Panelist contracts is increased by $96,000 over fiscal 1982. Why is more money needed?

Answer: As the attached chart indicates, the Endowment has achieved considerable savings in panelist contracts since fiscal 1980. The savings in fiscal 1981 were achieved through reductions in panelist travel costs without significantly altering panel activity itself. The greater than 20 percent reduction in administrative funds from fiscal 1981 to fiscal 1982 necessitated reductions in panel activity in order to cover the Endowment's fixed expenses. These reductions included limiting the number of panelists that can meet to decide on applications; using single panels to evaluate applications in two or more grant categories; increasing the number of East Coast panelists due to the less expensive airfare; and limiting programs to only one policy panel meeting during the fiscal year regardless of the number of categories funded or the amount of grant dollars involved.

Two programs, Music and Visual Arts, alone account for more than 80 percent of the reduction in application workload. These programs have made adjustments in their panels in light of that reduced workload. Reductions in the application/grant workload of the remaining programs, however, are not so significant as to allow major adjustments in their panels -- in the number of panelists, meetings, or days. Some programs expect increased numbers of applications in fiscal 1983 compared to fiscal 1982.

We have requested a $96,000 increase over fiscal 1982 in order to rectify the undesirable situation programs face with panel meetings. The increased allocation would allow for:

1. Increased diversity of representation for all disciplines applying to the NEA for assistance (notably those areas not currently served by the GSA airline contract fares);

2. More regular meetings of panels on policy matters; and

3. Increased use of pre-screening panels and, in some cases, adding an extra day to a panel meeting's duration in order to eliminate the current need for panelists and staff to work past midnight.

In addition, the Endowment anticipates that due to the current financial difficulties of the major U.S. air carriers, GSA contracts, if renewed, will increase substantially in cost.

For these reasons, the National Endowment for the Arts submits that a $96,000 increase for its panel system is indeed a small price to pay for the assurance of quality.

NATIONAL ENDOWMENT FOR THE ARTS
PERSONNEL SUMMARY

	FY 1981 ACTUAL	FY 1982 ESTIMATE	FY 1983 REQUEST
Chairman's Office	12	7	7
Policy, Planning and Research 1/	11	13	12
Public Affairs	10	11	10
Congressional Liaison	4	4	4
Office of General Counsel	5	6	5
(Subtotal)	42	41	38
Deputy Chairman for Programs	0	3	3
Program Coordination	4	4	4
Dance	7	6	6
Design Arts	12	11	10
Expansion Arts	12	11	10
Folk Arts	7	6	6
Inter-Arts	7	6	6
Literature	7	6	6
Media Arts	10	10	10
Museums	11	10	10
Music	13	12	10
Opera-Musical Theater	3	4	4
Theater	4	5	5
Visual Arts	10	10	8
Council and Panel	5	5	5
(Subtotal)	112	109	103
Deputy Chairman for Partnership	3	3	3
Education Programs 2/	7	8	7
State Programs	9	8	7
Private Sector 3/	6	7	12
(Subtotal)	25	26	29
Deputy Chairman for Management	4	4	4
Audit	9	9	9
Administrative Services Office	16	12	9
Civil Rights 4/	4	4	4
Contracting Office	2	2	2
Finance	22	20	20
Grants and Information Management	37	35	34
Personnel 5/	23	21	21
(Subtotal)	117	107	103
Federal Council	1	2	2
Total	297	285	275

1/ Includes Special Constituencies, Fellowship Program, and International.

2/ Includes Artists in Education.

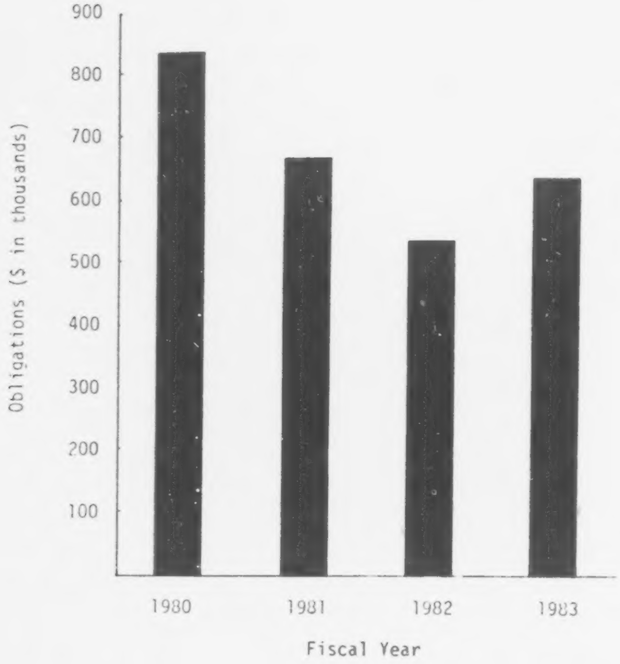
3/ Includes Challenge.

4/ Formerly Human Rights.

5/ Includes approximately 12 Program Aides assigned primarily to Programs during peak workload periods.

National Endowment for the Arts

Total Panelist Contract Obligations by Fiscal Year: 1980-1983



QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question: Your budget is requesting a decrease of over 33 percent in funding for arts programs, but recommends an increase of over 20 percent for administration. At a time when the Federal government is making significant reductions in personnel levels, I have difficulty in understanding this approach. What is your justification in increasing your funds for administration, especially since you will be reducing the number of grants that you must oversee?

Answer: Approximately 84 percent of the Endowment's administrative budget represents fixed costs such as rent, utilities, printing and personnel. In FY 1983, the rent costs alone will increase by $1.45 million, telephone costs will increase $176,000, and salaries will increase 4.8 percent in accordance with the pay increase enacted last fall for FY 1982. These are areas over which the Endowment has little control.

Question: How many positions will this additional funding provide?

Answer: The Endowment's personnel ceiling for FY 1983 is 275, down from 285 in the current fiscal year, and from 325 in FY 1980.

Question: As you know, the President's Committee on the Arts and the Humanities has recommended establishing a group to advise the President on Federal support for the arts as well as to stimulate private contributions to the arts. How do these responsibilities differ from those of the National Council on the Arts? How are they similar? Do they run the risk of being redundant?

Answer: The purpose of the National Council on the Arts is to advise the Chairman with respect to policies, programs, and procedures for carrying out his functions, duties, or responsibilities, and to review applications for financial assistance and make recommendations thereon to the Chairman. The purpose of the President's Committee is to promote private sector support of the arts and humanities, particularly at the local level. It will concentrate solely on the issue of private fundraising.

Question: If the two groups offer different recommendations, would one take precedent over the other? Is there any mechanism or procedure for resolving the difference?

Answer: The President's Committee would have absolutely no authority over the Endowments or the National Councils on the Arts and the Humanities. Because the two groups have clearly defined areas of concern and because the President's Committee will only advise on private fundraising, we do not foresee the possibility of conflict.

SUBCOMMITTEE RECESS

Senator RUDMAN. The subcommittee will now stand in recess until April 28 at 2 p.m., when we will hear the budget request for the education program of the Bureau of Indian Affairs.

Thank you.

[Whereupon, at 11:20 a.m., Tuesday, April 27, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 28.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

WEDNESDAY, APRIL 28, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:05 p.m., in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Ted Stevens presiding.

Present: Senators Stevens, Schmitt, Andrews, and Burdick.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

STATEMENT OF KENNETH L. SMITH, ASSISTANT SECRETARY OF THE INTERIOR FOR INDIAN AFFAIRS

ACCOMPANIED BY:

- JOHN W. FRITZ, DEPUTY ASSISTANT SECRETARY OF THE INTERIOR FOR INDIAN AFFAIRS (OPERATIONS)
- DR. S. GABE PAXTON, JR., ACTING DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS
- JOSEPH W. GORRELL, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR
- CHARLES HUGHES, ASSISTANT DIRECTOR OF FINANCIAL MANAGEMENT, BUREAU OF INDIAN AFFAIRS
- TED KRENZKE, DIRECTOR, INDIAN SERVICES
- BOBBY J. RAILEY, BUREAU OF INDIAN AFFAIRS
- FRANK LATTA, BUREAU OF INDIAN AFFAIRS

BUDGET REQUEST

Senator STEVENS. Good afternoon. This is the time scheduled to review the fiscal year 1983 budget estimates for the education programs of the Bureau of Indian Affairs. The budget request for education programs totals $256,672,000, an increase of $2,166,000 over fiscal year 1982 appropriations to date.

Mr. Smith, I would appreciate it if you would introduce your associates for the record so the reporter can identify them as they may make comments.

Your opening statement, I understand, was already included in the record of March 17.

Mr. SMITH. Thank you, Mr. Chairman.

First, it is a pleasure to be here today to talk about BIA education programs.

I'd like to introduce the people here with me at the table.

We have Joe Gorrell who is the Director of Budget for the Department of the Interior. Then we have Chuck Hughes, next to me on my right side, Assistant Director of Financial Management for BIA. And to my left is John Fritz, Deputy Assistant Secretary of the Interior for Indian Affairs in charge of operations. And Dr. Gabe Paxton, Jr., Acting Director, Office of Indian Education Programs.

We have some other members of the staff, but we won't introduce them unless they are called upon to answer any specific questions, Mr. Chairman.

I'd like to recap, Mr. Chairman, if I may, our opening statement.

Senator STEVENS. Yes, go ahead.

Mr. SMITH. We submitted our original statement on March 17 when we had the other hearing and this particular hearing was postponed. But I would just like to recap the education portion of our proposed budget.

Our budget request for 1983 includes $256.7 million for education, and that is composed of $179.8 million for school operations, $25.9 million for Johnson-O'Malley, and $50.9 million for continuing education.

Under facilities management, we are requesting $80.6 million for operation and maintenance of our existing facilities. Of this amount, the majority or approximately 80 percent is for our education facilities.

New construction of $15 million is for the Hopi High School.

Also under our construction account we are requesting $45.1 million for facility improvement and repairs, of which approximately 80 percent will be used for our educational facilities. Through a survey, it was determined that 50 percent, or approximately 20, of the schools on the new construction ranking list could be rehabilitated to present-day standards under the program. So we think we are making progress with that particular program.

Our education-related costs represent approximately 34.2 percent of the total BIA budget.

I realize that the Federal Government has the responsibility to insure that American Indians and Alaska Natives receive a quality education. Very frankly, Mr. Chairman, I believe the Indian people are entitled to a quality education program, and if we cannot provide one, then I do not think we should be in the business of running some of our schools that we have in Indian country, and maybe we should have the local government run more of our schools.

I do have some concerns about our education program. Among these concerns are a strong curriculum, top-level teachers and administrators, safe facilities that are built to accommodate a school program, adequate, continued funding, and of course we have a concern about the high cost of operating some of our Bureau of Indian Affairs schools.

We are doing a number of things to correct these situations at our schools.

First, my staff continues to work with OMB and the Department to develop academic and dormitory standards.

Two, we are negotiating, as you realize, the transfer of 37 day schools to the State of Alaska. I believe the State can offer the Aleuts and Alaska Native people one delivery system that will better serve their needs.

Three, my staff has carefully reviewed the off-reservation boarding school system and has determined that some of these schools are no longer efficiently utilized and that other programs are available for many students.

I am proposing that the off-reservation boarding school system be streamlined by closing outdated, high-cost facilities and concentrating the quality programs into three or four efficient regional schools.

I strongly believe that elementary school age children should be educated at home or as close to home as possible. Therefore, my first recommendation for off-reservation boarding school closures are the two such elementary schools left in the system, Concho and Wahpeton, which we are proposing be closed at the end of this particular year.

In the reorganization of the Bureau we are establishing five regional education centers. Each of these offices will be headed by an Assistant Director for Education with line authority and responsibility for education activities in his region. This will reduce the size of the central office and transfer more control to the field level. This plan complies with the mandates of Public Law 95-561, which stresses local community control of Indian schools under professional educators.

I believe we have some very good schools, some very good educators out in Indian country, but also, I must admit, we have some poor schools and some poor educators. I think we must work to assure that all schools in our system meet their standards.

With limited resources, it is time we take a closer look at where we are going in Indian education and how we will get there.

That ends my oral opening statement, Mr. Chairman, and we are here to respond to any questions that you may have.

Senator STEVENS. Thank you.

ALASKA DAY SCHOOLS

I am sure you realize that my interests are foremost in Alaska, so I want to start off with some Alaska questions.

How many day schools does the Bureau operate now?

Mr. SMITH. Thirty-seven day schools.

Senator STEVENS. I'm not talking about Alaska. I'm talking about the whole country.

Mr. SMITH. I refer this to Dr. Gabe Paxton, Director of Education Programs.

Dr. PAXTON. We have a total of 227 schools, 87 are day schools, Mr. Chairman.

Senator STEVENS. Does that include the 37 in my State?

Dr. PAXTON. Yes, sir.

Senator STEVENS. How many are you closing outside of Alaska this year?

Dr. PAXTON. We have proposed the closure of Concho and Wahpeton, two boarding schools.

Senator STEVENS. Those are boarding schools. I'm talking about day schools. How many day schools outside of Alaska are you going to close this year?

Dr. PAXTON. We are not proposing to close any day schools.

Senator STEVENS. Mr. Smith, do you know of any State in the Union that doesn't have the obligation to offer a quality education for all children in that State?

Mr. SMITH. Mr. Chairman, I don't know of any particular State that doesn't have that obligation. I think all States have that obligation, such as Alaska.

Senator STEVENS. You place a great emphasis on the Alaska constitution, and we are proud of that constitution, but why does the Bureau single out Alaska to terminate all day schools in 1 year, contrary to the past policy that was enunciated by your predecessor with regard to consultation and agreement of the people involved? Why is it Alaska has been singled out?

Mr. SMITH. I don't think, Mr. Chairman, that Alaska has been singled out.

Senator STEVENS. You just heard the comment. There's not one being closed outside of Alaska.

Mr. SMITH. But Alaska and the Bureau of Indian Affairs have had an agreement to phase out these particular day schools. It's been a long-term agreement. This has been an objective of both the State of Alaska and the Bureau of Indian Affairs. We accelerated the transfer of these particular schools in our proposal for 1983 and 1984.

Senator STEVENS. Are you doing it for savings?

Mr. SMITH. We probably would have transferred a lesser number in 1983, but it is basically for the savings, with the lean budget we have to work with.

Senator STEVENS. I've been on this committee now for 10 years and each year we have been told the actions the Bureau has taken to reduce their level of activity would result in savings. Between the fiscal year 1980 and 1981–82 school years, the Bureau schools declined in enrollment by 2,861 students. During the same period the Bureau has increased teacher employment by some 45 teachers.

Why haven't you looked to savings in the system rather than an abrupt change as far as the Alaska situation is concerned?

Mr. SMITH. Gabe, would you respond to the teacher portion of that?

Dr. PAXTON. At the present time, Mr. Chairman—I don't have the exact data for you; we can provide that to you—but in studying our system during this present fiscal year, there will be a decrease of employees, a decrease in teachers, simply because of the priorities that the local school boards have placed on the expenditures of money, as well as the decrease in students that you mentioned. But not only for this fiscal year are we seeing that as a trend but also for 1983, the year under discussion.

Senator STEVENS. Well, I am interested in the question from the point of view of savings. If it is an action based upon savings, I think the Alaskan people, including Native people, are prepared to bear their fair share of the actions that are necessary to correct the economic conditions of the country. But for the life of me I can't understand why no day schools are being closed outside of Alaska and the concept of closure is being applied entirely to the Alaska schools.

POLICY ON VILLAGE CONCURRENCE

Mr. Smith, I am told that just on April 15 you notified our Governor that you have unilaterally rescinded the policy of requiring village concurrence before transfer of a school to the State; is that correct?

Mr. SMITH. Mr. Chairman, that was rescinded October 14, 1981.

Senator STEVENS. We just got notice of it, and being one of those who helped negotiate that policy, it would have been nice if you had taken the trouble to notify the congressional delegation representing these people. I am at a loss to understand that. The agreement that you signed with the State in the first instance required that consultation, didn't it? You are standing by the agreement to turn the schools over to the State, and yet the agreement required consultation.

The letter I have here, incidentally, notifying the Governor, is dated April 15. We just received a copy of it.

Mr. SMITH. We were just letting him know that that particular policy was rescinded in October, from one of my deputies. I apologize for not notifying you.

Senator STEVENS. You just told your area director that you were rescinding a policy that was part of an agreement between the State and the villages involved. Is that the way we're going to conduct BIA policy now?

Mr. SMITH. No, it isn't.

Senator STEVENS. I hope it's not.

Mr. SMITH. Mr. Chairman, I assumed that was sent to the area director and the word got out to everybody who was concerned about education in Alaska.

Senator STEVENS. I want to be as polite as possible, but I don't think in the area of Indian affairs you assume that the "Mukluk Telegraph" works coming back to Washington. I think we ought to know if you're going to make a change in a policy that we have been supporting over a period of years.

Your justification shows that the cost of operating these Alaska schools is $6,748,000. Severance pay, relocation costs, and transfer costs are estimated at $2,972,000. And you have a proposed payment to the State of $5,900,000. The total cost of the transfer, then, will be $8,872,000, or $2,100,000 more than operating the schools for the last year. Yet, you show a savings on your justification of $3,776,000. Can you explain that arithmetic to me? How do you come out with a savings when you have these extra costs?

Mr. SMITH. Well, on that particular schedule, Mr. Chairman, I'd like to call on one of our people who has been working on the Alaska issue, Mr. Bobby Railey, who is a special assistant. He has been working with those figures, so he might be better equipped to explain them.

Mr. RAILEY. Mr. Chairman, we would have to recheck these figures and submit those for the record. However, at the time that we did this work, we were using figures that we admitted were estimates on O. & M. for the current year. We were using 1981 figures. We did not have a current 1982 figure for O. & M. So we will have to submit that for the record.

[The information follows:]

ALASKA SCHOOL TRANSFERS

The fiscal year 1983 justification was developed during the months of January and February. The $6,748,000 cost of operating schools was based on the total of the final allocations for fiscal year 1981. The $2,972,000 was the best estimate at that time of what severance pay, relocation costs, and the related transfer costs would be for all 37 schools. Thus, $6,748,000 minus $2,972,000 resulted in projected savings of $3,776,000. This was based on the possibility of all 37 schools being transferred at the end of the 1981–82 school year.

A payment of $5.9 million to the State of Alaska was offered as part of an option by the Assistant Secretary—Indian Affairs (Operations) to the State of Alaska in a March 10, 1982, letter. The option was an offer to operate Mount Edgecumbe and to transfer all 37 schools to the State. The fiscal year 1983 budget justification narrative indicated there were sufficient funds included to permit operation of the 37 schools, or Mount Edgecumbe Secondary School, or Mount Edgecumbe and a reduced number of BIA schools. Since the Bureau is transferring only 17 schools and will continue to operate Mount Edgecumbe without freshman for 1 more year, the $5.9 million payment will not go to the State. Instead, that amount will be used to pay transfer costs associated with the 17 schools being transferred, plus the continued operation of 20 day schools.

ORIGINAL TRANSFER AGREEMENT WITH ALASKA

Senator STEVENS. Have you any plans to notify any other State that you are going to terminate day schools in their jurisdiction?

Mr. SMITH. No; we are not.

Senator STEVENS. Are you familiar with the agreement your predecessor made with the State that before schools would be transferred to the State the schools would comply with the State fire and safety codes? Did you know that was part of the original agreement?

Mr. SMITH. I understood there was a policy agreement that was approved by the Juneau area director in Juneau in 1977, and that particular policy——

Senator STEVENS. I think you'll find this goes back to 1959 and 1960.

Mr. SMITH. No; I'm not aware of that particular one unless Dr. Gabe Paxton is aware of that particular policy.

Dr. PAXTON. No; I'm not.

Senator STEVENS. Have any of you looked at the agreement that was signed with Governor Egan? Before you made this decision, did you go back and research the files on the basis for the operation of these schools?

Mr. SMITH. Mr. Chairman, I haven't, and I don't think education did. I have to say no.

Senator STEVENS. You're lucky the Secretary I served under in Interior is not there now because you wouldn't be there tomorrow. I can't understand a position being expressed for the Government that does not involve a study of the history of the relationship.

It was my understanding the State had indicated a willingness to accept some 16 schools for State operation, and they had again requested the upgrading of facilities to meet the code standards as required by the original agreement.

Did you know that?

Mr. SMITH. Well, as I understand, Mr. Chairman, this has been an ongoing transfer of schools. As I understand, all the secondary schools have been transferred. Now we are slowly transferring the elementary schools. Those schools were being transferred in the conditions as they were in the past.

Senator STEVENS. How many schools do you think you have transferred so far in the period of 23 years?

Mr. RAILEY. Approximately 90, Mr. Chairman.

Senator STEVENS. Pardon?

Mr. RAILEY. Approximately 90.

Senator STEVENS. In mid-December the State was informed you wanted to transfer five to eight schools. When was that policy changed?

Mr. SMITH. The policy to transfer the 37 schools or the 5 to 8 schools?

Senator STEVENS. The State has given us information that it was notified in mid-December that BIA wished to transfer five to eight of the day schools to the State in the next fiscal year. Now, when was that policy changed?

Mr. SMITH. At that time we were trying to accelerate the transfer of schools, and that was our first discussion with the State, that we were talking about five to eight. We have talked about 16 and we have talked about all 37 schools. We are negotiating with the State right now to see how many schools we can transfer this coming year.

Senator STEVENS. What is your current policy position on how many schools you are trying to transfer to my State this year?

Mr. SMITH. We are trying to transfer around 16 schools.

Senator STEVENS. Will you give us an amended budget so we can see how those figures look in regard to those 16?

Mr. SMITH. Yes, sir.

COMPLIANCE WITH CODES

Senator STEVENS. Are you going to face up to the question of complying with the agreement to bring these schools up to the State fire and safety codes?

Mr. SMITH. We have no plans at this particular time, Mr. Chairman. We are going to continue to upgrade five of the schools in the next year or two that have been programed. But we have no money in the budget after that period.

Senator STEVENS. The State projects the cost for the 16 schools, I'm told, at an increased cost to the State of $10,700,000 for fiscal 1983, of which $7,300,000 is for the upgrading of facilities to meet the code, since unlike the Bureau the State must comply with the State code, which is an interesting aside. One day I'm going to hold a hearing and see in what other States are not complying with the codes. Maybe we'll change that law. It's appalling to me to think that you really ignore such fire and safety codes in the operation of schools anywhere.

But have you any indication that the State is able to accept any more than $10 million out of their education budget this year?

Mr. SMITH. No; I don't, but we are negotiating with the State at this particular time.

Senator STEVENS. What are you going to do with the employees of the Alaska schools? Have you sent RIF notices to BIA employees of the Alaska schools?

Mr. SMITH. Mr. Paxton, will you respond to that?

Dr. PAXTON. Mr. Chairman, we have a closure plan outlined which not only talks about the placement of students but also for the outplacement plans for employees.

We have given reduction in force notices earlier this year, and the personnel office in the Juneau area office is taking care of that process for the day schools.

CONCHO AND WAHPETON SCHOOLS

Senator STEVENS. I understand that you gave the Select Committee on Indian Affairs information concerning Concho and Wahpeton; is that right? Have you given them the cost data, the enrollment, test scores, facilities costs?

Mr. SMITH. Yes, sir, that is true.

Senator STEVENS. Would you provide this committee with the same information so we can have it in our records?

Dr. PAXTON. Yes.

EMPLOYMENT OF SCHOOL PERSONNEL

Senator STEVENS. I'm talking now not just about Alaska but about all school employees. Is it true that you employ all school maintenance and cafeteria personnel in the BIA schools for a full 12-month period each year?

Dr. PAXTON. So far as the employees are concerned, it varies from school to school, Mr. Chairman. But we are presently in many of our schools placing employees on a furlough basis. I cannot give you total figures, but I can provide that for the record.

Senator STEVENS. Would you tell us where you do not follow that practice and why not?

[The information follows:]

FURLOUGH OF CAFETERIA AND MAINTENANCE EMPLOYEES

Only a few of the 227 Bureau funded schools plan to keep furloughed cafeteria employees (food service) on their payroll for 12 months. The total number of food service employees to be paid during the summer is 60 and if furloughed would save the schools $358,721. Funding for those employees is from school operations, ISEP funds.

The breakdown of the food service employees working during the summer this year is as follows:

Area/Agency	Number	Purpose
Cheyenne River Agency	1	Education specialist who oversees food service program.
Fort Totten Agency	2	To supervise USDA summer food service program.
Pine Ridge Agency	1	Supervisor to all Agency food service programs.
Turtle Mountain Agency	3	Summer recreation program.
Anadarko area	4	In-service training (riverside).
Eastern Navajo Agency	49	Tribally sponsored summer programs, and menu revisions, inventory, kitchen maintenance, et cetera.

The furlough facility maintenance employees maintenance activities performed through the summer months is necessary maintenance work that can only be accomplished during the absence of students to reduce possible risk of student injury.

The following table provides information regarding full-time and furlough employees performing maintenance work at Bureau of Indian Affairs schools. However, it must be emphasized that the figures are approximations:

Area name	Full-time	Percent[1]	Furlough	Percent[1]
Portland	9	100	1	100
Navajo	105	100	5	75
Phoenix	66	100	45	100
Albuquerque	41	40	43	40
Anadarko	19	100	2	100
Muskogee	26	100	1	90
Minneapolis	0	0	0	0
Juneau	61	79	31	100
Eastern	47	58	33	42
Billings	2	100	1	100
Aberdeen	22	100	17	75
Total	308		179	

[1] Percentage of time devoted to maintenance work at schools; the balance is spent performing work at other facilities.

SUMMARY OF MAINTENANCE EMPLOYEES

Number of employees working 12 months performing maintenance work at schools full-time: 249.

Number of employees working 12 months but performing only part-time work on schools: 149.

Number of employees working on a furlough basis performing maintenance work at schools full-time while employed: 80.

Number of employees working on a furlough basis but performing only part-time work on schools: 99.

SELECT COMMITTEE ON INDIAN AFFAIRS RESPONSE

Senator ANDREWS. Mr. Chairman, we asked for that information that you said they gave us on the Select Committee on Indian Affairs. I held those hearings, and we sent them the questions, and they lost the questions, conveniently or otherwise. And they came back a month and a half after we gave them the questions and signed off for another set of questions, and we still haven't gotten the answers. So if we get the answers here—that's one of the reasons we're here—it will be great. It's been the worst example of beating around the bush that I have ever seen of any agency.

So, welcome to the club, but we still haven't gotten the answers in the Select Committee.

Senator STEVENS. Can we have some indication of when you will give us the information? You understood the information we want, and I understand what the Select Committee wants, too, but we want information regarding enrollment, test scores, costs of operation, and maintaining the facilities of Concho and Wahpeton.

Dr. PAXTON. We have that information, Mr. Chairman, and I will see that it is provided within 3 days to the committee.

Senator STEVENS. Thank you.

[The information follows:]

Enrollment, Test Scores, and Costs of O&M at Concho and Wahpeton Schools

Since funding for Concho and Wahpeton is based upon Average Daily Membership (ADM) converted to Weighted Student Units (WSU's) rather than enrollment, we are providing both WSU figures (fall 1982) and enrollment as follows:

	WSU's	Enrollment
Concho	333.5	141
Wahpeton	520.0	251

Achievement test scores for Concho and Wahpeton are as follows:

	Name of Test	Composite results
Concho	Science Research Associates (SRA) April 1981	English: 5.9 Math: 6.1 Reading: 6.0
Wahpeton	Basic Skills Achievement Test (BSAT) - 1980	61% of students scored below grade level vs. 50% for national norm.

Comment: At the two elementary schools (Grades 1-8), the typical 8th grade graduate is about two grade levels below national norms. Such scores tend to reflect the background and special needs of the students rather than serving as an indicator of the quality of education received.

The FY 1982 total costs for operation and maintenance of facilities at Concho and Wahpeton are as follows: Concho - $441,100, Wahpeton - $488,800

NOTE: Letter and response to Senator Mark Andrews' questions follow.

MAY 14 1982

Honorable Mark Andrews
United States Senate
Washington, D. C. 20510

Dear Senator Andrews:

Enclosed are answers to questions submitted by you for the record at the hearing chaired by you held before the Select Committee on Indian Affairs on February 24, 1982. This hearing concerned proposed BIA school closings. As you are aware, we lost the original set of questions to our embarrassment.

I want to apologize for the delay, and express my appreciation for your patience. By separate cover, we have written directly to Chairman Cohen with the same information.

Sincerely,

/S/ John W. Fritz

Deputy Assistant Secretary - Indian
Affairs (Operations)

MAY 14 1982

Honorable William S. Cohen
Chairman, Select Committee on
 Indian Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Enclosed are answers to questions submitted in writing by Senators Mark Andrews and Jake Garn at a hearing held before your Committee on February 24, 1982, concerning proposed BIA school closings. The original set of questions were lost. We are embarrassed and apologize for the delay. I want to thank you in advance for your understanding.

Sincerely,

Roy H. Sampsel

Deputy Assistant Secretary - Indian
 Affairs (Policy)

QUESTIONS FOR THE ASSISTANT SECRETARY FOR INDIAN AFFAIRS, MR. KEN SMITH

Questions Submitted by Senator Andrews

I. STUDENT/SCHOOL PROFILE:

1. Please give the Committee a general description of the three schools, Concho, Wahpeton and Southwestern Indian Polytechnic Institute ("SIPI") proposed to be closed at the end of this school year.

   a. The programs offered to the students

      Curriculum at Wahpeton includes: A basic state approved course of study in all academic areas; vocational crafts, courses in Indian psychology and special education for the handicapped including learning disabilities, deaf and hard of hearing, speech impaired, it also offers home economics. There is special emphasis on Indian heritage in all activities.

   b. The personnel required to operate the programs, eg., counselors.

      The Wahpeton staff is seventy-six (76). Twenty-eight (28) are professional, forty-eight (48) non-professional.

   c. The number of students currently enrolled and the schools' capacity for enrollment.

      The current student enrollment is 251. Capacity 350

   d. The number of tribes represented by students.

      Approximately twenty-five (25) tribes are represented.

   e. The facilities, buildings, dormitories and campus layout of the schools, including the age of the facilities.

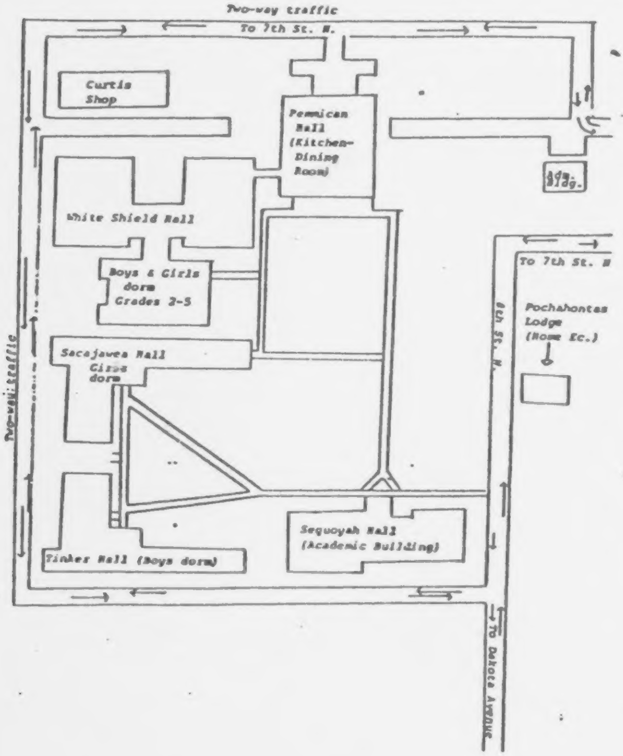
      At Wahpeton, the original school building and dormitories were built in 1908 and remodeled several times since then. In 1961, a new, completely modern school building with fifteen (15) classrooms, music room, library, and multipurpose room was built, replacing the original structure. In 1964 two modern dorms, with a student capacity of 128 each were completed. In 1966, a combination dorm housing 160 boys and girls, grades 2 through 5 was completed. November, 1971, marked the completion of the new dining hall which seats 216 students. Attached is a map of the campus. Also attached: Fact Sheet on Wahpeton Facilities.

CONCHO: Curriculum at Concho is similar to that at Wahpeton, including a basic state approved course of study and special education classes. The total staff is 62: 17 professional and 45 non-professional. Current enrollment is 142. Capacity-256

FACTS ON WAHPETON FACILITIES

1. 1st operated in February 1908 with 77 students and 2 teachers.
2. Now 29 buildings on campus
   52 acres of land
3. In 1961 we built new classrooms.
4. In 1964 we built 2 new dorms.
5. In 1966, completed another dorm for 160 students.
6. In November 1971, completed new dining hall for 220 students.
7. In 1978, added locker rooms to gym.
8. In 1980-81 school year, connected to N.D. State School of Sciences for heat.

WAHPETON INDIAN SCHOOL
CAMPUS MAP


Two-way traffic
To 7th St. N.
Curtis Shop
Pemmican Hall (Kitchen-Dining Room)
Adm. Bldg.
White Shield Hall
Boys & Girls dorm Grades 2-5
To 7th St. N
Pochahontas Lodge (Home Ec.)
8th St. N.
Sacajawea Hall Girls dorm
Two-way traffic
Sequoyah Hall (Academic Building)
Tinker Hall (Boys dorm)
To Dakota Avenue

The two largest tribal groups represented at the school are Cheyenne-Arapaho, and Kiowa. There are 22 others. School buildings consist of main school building, girls dorm, boys dorm, kitchen, dining hall, music building, three plant management buildings: fire house, warehouse, and office. There is also a field house for recreational activities. Campus is 130 acres. IHS clinic on campus.

S.I.P.I. 1. General description

- A. Programs offered
  - a. business education
  - b. occupational technologies
  - c. instructional support
- B. Instructional personnel required
  - 46 instructional
  - 29 support/teacher aides
  - 75
- C. Students enrolled
  - 1. 506 students enrolled
  - 2. classroom space for 700
- D. Tribal representation
  - 1. 84 tribes represented
  - 2. 39% are Navajo
  - 3. 13% are Southern or Northern Pueblo
  - 4. 48% are various other tribes

2. Please explain to the Committee what the original purpose of these three schools was. What needs were the schools intended to address?

Wahpeton and Concho Indian Schools in their initial inception were educational institutions dealing basically with agriculture.

a. Do these needs still exist?

The needs these schools were designed to address were to teach Indian children to farm or to have a vocation so that they would become self-sustaining members of the community.

b. Are the children attending these three schools similar to the type of children who attended the schools in the past?

Now the need of the Indian student is the same as that of any other young person—to attain the best possible education so that he may have the wherewithal to enter the field of his choice whether it be vocational, agricultural, or in the areas of education, law medicine or whatever he chooses. The goal of the school is to lay the groundwork in basic academic skills.

c. Why are the children at these schools now?

The present students attend for either social or educational reasons and in some cases due to parental preference. Another major purpose of the school is the development of proper home, school, and community social living and maturity in the physical, mental, social, spiritual and moral aspects of human life. Of equal importance is a furtherance and understanding of the students Indian heritage.

d. What are the needs of the current student populations at the schools?

The children attending Wahpeton and other off-reservation schools have not changed--but the society has and therefore a broader educational program is required compared to the school offerings of a century ago.

S.I.P.I.: The original purpose of S.I.P.I. was to provide an educational environment in which each student would be able to progress at his or her own learning pace toward special occupational goals.

A. The needs still exist but will be met by means of utilizing other BIA, and private, and public sources, e.g., the Adult Vocational Training Program and Tribally Controlled Community Colleges (BIA), local Vo-Tech Schools.

B. It is difficult to classify the type of student attending S.I.P.I. - they run the gamut from slower-paced to accelarated levels and it could be said that they are more likely to finish their program.

C. The majority of students are in attendance because of propinquity.

D. The needs of students are to reach occupational goals in areas which have the highest employment potential.

COST EFFECTS OF THE PROPOSED CLOSURE OF THE SCHOOLS

1. What are the estimated close-out costs for the schools?
   a. Severence pay for personnel
   b. Relocation of personnel
   c. Security and maintenance of empty buildings

   ATTACHED IS EXHIBIT #1#5

2. What are the plans for the facilities?
   a. Concho
   b. Wahpeton
   c. SIPI

   In our "School Closure Plan" priority is given to the respective tribe involved, such as the North Dakota School of Science in the case of Wahpeton, then to other educational purposes and finally the GSA as surplus property.

ALTERNATIVES

1. Where are you proposing to send the children currently attending the Wahpeton and Concho boarding schools?

   As of this date the following placements have been determined on the priorities of parents and guardians:

WAHPETON:	Bureau Schools	111 84
	Parochial and Private Schools	9
	Undecided	49
CONCHO:	Bureau Schools	43
	Public Schools	94
	Contract	1
	Undecided	3

   In the case of both schools, each Agency is continuing its efforts to account for the placement of every child. In the case of both schools, most students will be returned to their families or guardians. For the few students (5-10%) who need foster care, placements will continue to be sought similar to those which historically have been arranged for vacation periods and the summer months.

2. Have you contacted the public schools in the areas where the children will be living, space available, and special services available?

   While we have not been in contact will all of the Chief State School Offices, the Education Commission of the States recently completed a study on the issue of State support of its schools with large Indian enrollments. All States acknowledge that they have the responsibility to provide a free public education to all of their citizens including Indian students. However, the BIA also acknowledges a Federal responsibility to insure quality education opportunities be provided to all Indian students.

   Regarding the capabilities of the public schools in meeting the needs of Indian children, during the past few years public schools have become more sensitive to the educational and social needs of the Indian students. As a result, public schools are offering programs that relate to the Indian cultures and languages, and counseling programs to ease their social adjustment. Johnson O'Malley funds have helped the development of these services in the public schools. Also, the public sector and the BIA have cooperatively planned and constructed school facilities for Indian children to attend. It should also be noted that under the revisions to the Impact Aid program in 95-561, Indian parents now have a voice in planning the use to which these funds will be put.

3. If you plan to send children to contract schools, have you spoken with the Tribes involved?

   A. Can they handle the extra students?

   Yes.
   In the case of tribally-contracted schools, these contractors have the right to establish their own enrollment criteria. However, we asked that each contract school take into account the need for appropriate placement for these students and give priority to them.

4. It is estimated that the impact aid payments to public schools educating Indian children will be approximately 80% of that appropriated for FY '82 (FY '82 funding was 90% of FY '81) and that there will be a requirement that if a school does not have a threshold payment of at least $5,000.00 the school will receive no impact aid funding.

   a. Have you taken this information into account in estimating the number of Indian students from the 3 schools who will go to public schools?

   While we are very concerned about the proposed reductions in the Impact Aid Program, we believe that local public schools can absorb these students.

   Public schools receive state foundation support based on the number of students in attendance. This would mean, therefore, that their revenues would increase with the increased enrollment. However, we are fully aware that other cuts in funding, e.g., Impact Aid and Title IV, as well as other Federal programs, will mean a hardship for these schools. The Bureau has no intention of disclaiming responsibility for Indian students, either those presently enrolled in public schools or those who will be transferring to public schools because of the closure of Bureau schools. We have asked the BIA Education Programs Administrators in the Areas to assess the financial needs of those public schools with Indian students we will be exploring the alternatives for assisting these schools. One possible option would be cooperative funding arrangements with the States.

   Regarding SIPI, Post-Secondary Schools do not receive impact aid funds.

5. It appears to the Committee that the Title IV program, currently operated by the Department of Education and proposed to be moved to the BIA, is taking a very large cut in funding: approximately a $29 Million cut from last year's funded level, a matter which this Committee will be dealing with during our Budget Oversight hearings later this week, but has this cut been taken into account when determining where to place the students currently at Wahpeton, Concho and SIPI?

   As was explained above, we are concerned about budget reductions in all these related programs and are exploring cooperative solutions to these problems.

   Regarding SIPI, Post-Secondary Schools do not receive Title IV funds.

6. The Committee notes that the ISEP has been increased from FY '82 level up to the FY '81 level. Will this take care of the added students to the schools in their home area, looking at inflation, etc.?

   In the FY '83 budget there is a set aside just for the purpose to assimulate students into our existing schools.

7. In looking at the social problems which may well still exist at the student's home or with the student himself, where do you plan on having these children live?

   a. Peripheral dorms — where?

b. Foster homes — is placing the child in foster care the decision of the BIA based on closing the school or a decision made in accordance with the Indian Child Welfare Act (ICWA) requirements?

c. Where are you going to get the money to pay for the foster care homes, dormitories, etc?

d. Have you consulted the tribes as to the availability of foster care homes for the children?

e. Have you consulted the tribe and families regarding the placement of children in foster care or other, farther away, boarding schools?

The majority of the students from Wahpeton and Concho will be returned to their families or guardians. The Bureau anticipates that approximately 5-10% will need foster care. Foster care in the areas of both Concho and Wahpeton costs $5.00 per day per child. The Bureau has the funds to cover these costs—expecially since this represents a considerable savings over having that same child in a boarding school (approximately $1800, as compared to $8,000 in an ORBS). Placement of children has been determined at the Agency level and extensive consultation with families and Tribes have taken place.

8. The students who are currently attending SIPI, you indicate will be going to Tribally Controlled Community Colleges and Haskell Indian Junior College? Will the budgets of these schools be increased to handle more students? Are the courses taught at these schools the same as the specialized courses now available at SIPI?re currently attending SIPI, you indicate will be going to Tribally Controlled Community Colleges and Haskell Indian Junior College? Will the budgets of these schools be increased to handle more students? Are the courses taught at these schools the same as the specialized courses now available at SIPI?

Some of the displaced students will transfer to the Tribally Controlled Community Colleges (TCCC) and to Haskell Indian Junior College (HIJC). The TCCC's are allocated funds according to a "Full Time Equivalent" (FTE) count and will receive an increase in the amount of funding in proportion to the increase in enrollment. HIJC is a line item in the Budget, so there will not be an increase to handle the forecasted increases in enrollment. There are some courses that are available such as business.

9. Your testimony indicates that Haskell Junior College will have to be more selective in their admission process in order to pick up some of the students who would have been at SIPI. How many students is this going to force out of Haskell and SIPI?

There are 53 SIPI students who plan to transfer to HIJC. These transfers will probably displace 53 if they actually do attend.

10. It appears to the Committee, that the BIA's plan is to shift Indian students from Bureau operated schools into public schools. I would like you to explain to us, briefly, the BIA's responsibility for the education of Indian children.

See #4 under ALTERNATIVES.
Further, the BIA accepts full responsibility for the education of some Indian students and supplemental program responsibility for others.

CONSULTATION WITH THE TRIBES

1. Please explain to the Committee the BIA's requirements regarding consultation with the tribes about the closing of these three schools?

a. The regulations

It is the BIA's firm conviction that the process of policy consultation includes both formal and informal methods. Formal consultation occurs through the regulatory process in compliance with Public Law 95-561, with Public Law 93-638, and with the DOI guidelines on public participation. In addition, tribal officials are involved in the development of our budget proposals. Informal consultation is an ongoing process that occurs on a day-to-day basis, mainly at field locations but also at all BIA levels, either at tribal request or through BIA initiatives which ensure meaningful tribal participation in policy matters. Specifically, in reference to 25 CFR 31a.2(9) and CFR 31a.4, it is the continuing Bureau policy to consult on a government-to-government basis with tribes on matters that concern them and n-their members, which include the provision of education opportunities.

their members, which include the provision of education opportunities.

2. Did you consult with the tribes?

   a. When, which tribes?
   b. What was the tribal reaction to the closing of the schools?
   c. If there was no consultation, explain to the Committee why the BIA chose to ignore the regulations?

   Although the Bureau is committed to Tribal consultation under its policy of self-determination for Native Americans, the Assistant Secretary-Indian Affairs determined that the immediacy of the need for the proposed reductions in order to stay within budgetary confines made it impossible for the Bureau to take the time for field hearings and other forms of tribal consultation before Concho and Wahpeton were proposed for closure. Field hearings were eventually scheduled, however from March 30, 1982 through April 15, 1982 for the purpose of hearing comments from tribal representatives, school boards, parents and other interested parties. The hearing on Concho was held in Oklahoma City on April 6, and on Wahpeton in Aberdeen on April 15.

3. Did you receive any letters or inquiries from concerned persons regarding the proposal to close the schools?

   a.. I do note that you sent an answer to the letter which Senator Burdick and I wrote on December 14th — the answering letter was sent to us on Tuesday evening. Thank you.
   b. Governor Allen Olson of North Dakota — no answer.
   c. Tribal resolutions and letters in support from the tribal council.
   d. Letters from concerned citizens, parents and the students themselves. (NOTE--these letters started coming into the BIA in November.)

   The Bureau received a large quantity of letters from Tribes, tribal organizations , concerned parties, and State officials. All of these letters were answered giving the Bureau's rationale in detail for the closing of the schools. We apologize for the delay in answering Senator Burdick and Andrews and as well as Governor Olson. Both letters were eventually answered, but a series of revisions, due to a dynamic situation, caused delay in both cases.

4. Did you answer any of these letters or review them in any way while you decided the fate of these three schools and determined the placement of the students?

   All of the comments received in correspondence concerning the closures were taken into consideration in the decision-making process.

DECISION MAKING PROCESS

1. Why were these three schools chosen to be closed at the end of this school year?

   a. Concho and Wahpeton are the only off-reservation boarding schools for elementary age children in operation.
   b. SIPI is the only polytechnic institute for Indians ub the United States.

   These schools were chosen because we strongly advocate having elementary age students live with their families or other suitable placements in their home communities and attend day schools whenever possible; alternative educational opportunities do exist in other BIA and public schools for the students at these schools; boarding schools are expensive to operate, especially with declining enrollments which have caused the per-pupil cost to increase substantially.

   SIPI - The rationale for closing SIPI is that the unit cost per student graduating is very high and could be much less at many other non-Federal vocational school which are available.

   a. Breakout by school and then by grades.

   EXHIBIT #2 gives schools and enrollment.

3. Was the decision to close these three schools discussed with the Office of Indian Education Programs in the BIA?
   a. The reaction of the Office?
   b. Wahpeton - memo from Noah Allen
   c. SIPI — Lincoln White's report — where and what was his recommendations? If no consultation/no consideration of the office's recommendations why not?

There was on-going dialogue with the OIEP in the decision-making process. There was not complete agreement in the beginning. As you know, a memorandum from Noah Allen, dated October 14, 1981 supported the continued operation of Wahpeton. At that point in time, no decision had been made on this matter and that office was free to support the continued operation of the school. Since that time, however, after much consideration and elimination of all options, that office has concurred in this decision.

SIPI Lincoln White's recommendation was positive regarding SIPI. The recommendation was disregarded.

4. Did you visit these schools?
   a. Who from D.C. visited these schools?

Secretary Smith was in North Dakota and met with various tribal groups regarding Wahpeton in March, 1982. He did not visit Wahepton—however, the

Acting Director, OIEP did visit the school late in March, 1982. In addition two of the Assistant Secretaries-Indian Affairs visited all of the ORBS recently. A representative of the Central Office Education Staff made an on-sight visit to Concho in March, 1982. Lincoln White visited SIPI.

5. Did you base your decision to close the schools on any recent studies? We note that you indicate that a study is now being conducted on the quality of off-reservation boarding schools -- please submit the report to the Committee.

The primary study used in the Bureau's decision-making process on closure was a REVIEW OF BUREAU OF INDIAN AFFAIRS' OFF-RESERVATION BOARDING SCHOOLS, program Review Division, Office of the Budget, U. S. Department of the Interior, May 6, 1980. Over a period of months, the review task force visited all of the ORBS and made a detailed report on the programs, facilities, health care, dorm programs and all other aspects of the school programs for all of the then-existing on-reservation boarding schools.

6. Is this simply a budget cut decision? If so, how much money are you really saving the American taxpayers? The education of these children is still going to have to be paid for — impact aid, Title IV, Johnson O'Malley programs -- and the foster care is going to have to be paid for. Where are the savings?
   a. You indicated in your testimony that counseling and social services are going to be necessary for the families and the children. Where is the money coming for this?

No, this is not just a budget decision. As we have said, it is not the policy of the Bureau to have elementary-age children in boarding schools unless all other alternatives are exhausted. In the case of Wahpeton and Concho, alternatives are available—in public schools in the majority of cases. Although it is true that the savings will not be total due to the costs of alternative placements, there will still be a substantial savings. The operation of 24-hour boarding facilities, the majority of which are under way under capacity enrollment is expensive—approximately $8,000.00 per student yearly. Closing down some of the BIA's on-reservation boarding schools will certainly constitute a savings for the BIA and the taxpayer—even accounting for the costs incurred in closure, and additional monies that may be necessary for these students in other placements, be it foster care, or public school subsidies. It is estimated that the closure of Wahpeton alone will save the BIA over $800,000 in FY '83.

Exhibit 1

Estimated Closure Costs-FY 1982

Personnel Services
Concho Elementary School

Education Programs

Personnel Services:

Salaries - as of February 28	$ 351,448.00
March 1 - June 15	251,032.00
Lump Sum	66,462.00
Severance	104,208.00
Total estimated closure costs for FY 1982	$ 773,150.00

Personnel Detail:

Lump Sum	57
Severance	24
Contract employees	03
Eligible for retirement	14
Temporary employees	03

FY 1982 Financial Program Plan:

Estimated cost for Personnel Services	$ 870,254.00

Facilitities

Personnel Services:

Salaries - as of February 28	$ 33,682.00
- March 1 - June 15	25,052.00
Lump Sum	19,615.00
Severance	38,936.00
Total	$ 116,285.00

Personnel Detail:

Lump sum	13
Severance	04
Eligible for retirement	04

FY 1982 Financial Program Plan:

Estimated cost for Personnel Services	$ 183,402.00

Estimated Closure Costs-FY 1982

Personnel Services
Southwestern Indian Polytechnic Institute

Education Programs

Personnel Services:

Salaries - as of February 28	$ 878,602.00
March 1 - June 15	627,570.00
Lump Sum	99,894.00
Severance	345,323.00
Total estimated closure costs for FY 1982	$1,951,389.00

Personnel Detail:

Lump Sum	96
Severance	76
Eligible for retirement	15
NP employees	05

FY 1982 Financial Program Plan:

Estimated cost for Personnel Services	$2,199,154.00

Facilitities

Personnel Services:

Salaries - as of February 28	$ 23,907.00
- March 1 - June 15	17,077.00
Lump Sum	769.00
Severance	17,390.00
Total	$ 59,143.00

Personnel Detail:

Lump sum	02
Severance	03

FY 1982 Financial Program Plan:

Estimated cost for Personnel Services	$ 59,189.00

Estimated Closure Costs-FY 1982

Personnel Services
Wahpeton Elementary School

Education Programs

Personnel Services:

Salaries - as of February 28	$ 530,016.00
March 1 - June 15	419,314.00
Lump Sum	110,423.00
Severance	177,388.00
Total estimated closure costs for FY 1982	$1,237,141.00

Personnel Detail:

Lump Sum	55
Severance	44
Contract employees	16
Eligible for retirement	10
Other employees	01

FY 1982 Financial Program Plan:

Estimated cost for Personnel Services	$ 1,277,590.00

Facilitities

Personnel Services:

Salaries - as of February 28	$ 85,631.00
March 1 - June 15	61,157.00
Lump Sum	28,558.00
Severance	32,289.00
Total	$ 207,635.00

Personnel Detail:

Lump sum	11
Severance	07
Eligible for retirement	03
Other	01

FY 1982 Financial Program Plan:

Estimated cost for Personnel Services	$ 212,041.00

	SIPI	Wahpeton	Concho
FY 1982 Financial Program:			
Peronnel Services	$2,199,154.00	$1,489,631.00	$1,053,656.00
FY 1982 estimate closure related costs:			
Salaries	1,506,172.00	1,096,118.00	661,274.00
Lump Sum	98,894.00	138,981.00	86,077.00
Severance	345,323.00	209,677.00	143,144.00
TOTAL	$1,950,389.00 1/	$1,444,776.00	$890,495.00

[1] This amount does not include costs for facilities personnel since SIPI will remain open trhough the fiscal year for other uses.

Exhibit 2

NORTHCENTRAL REGIONAL EDUCATION OFFICE
Aberdeen, South Dakota

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM 1/	
					Instr.	Res.
A00-01		ABERDEEN AREA OFFICE				
A00-09	C	Theodore Jamerson Elem. School	ND	PK-8	48.50	-
A00-10	O	Flandreau Indian School	SD	9-12	376.00	376.50
A00-11	O	Wahpeton Indian School	ND	3-8	260.00	260.00
A00-12	C	Pierre Indian Learning Center	SD	1-8	97.00	97.00
A00-13	C	Marty Indian School	SD	K-12	276.00	113.50
A01-01		Cheyenne River Agency				
A01-03	D	Bridger Day School	SD	1-8	23.00	-
A01-04	D	Cherry Creek Day School	SD	K-6	75.00	-
A01-06	D	Promise Day School	SD	1-6	14.50	-
A01-07	C	Red Scaffold Day School	SD	K-9	93.50	-
A01-08	D	Swift Bird Day School	SD	1-8	38.00	-
A01-10	D	White Horse Day School	SD	K-8	50.50	-
A01-12	CP	Cheyenne Eagle Butte School	SD	K-12	734.50	101.50
A04-01		Fort Berthold Agency				
A04-03	C	Mandaree Day School	ND	K-12	169.00	-
A04-04	C	Twin Buttes Day School	ND	K-8	52.50	-
A04-05	CP	White Shield Day School	ND	K-12	127.50	-
A05-01		Fort Totten Agency				
A05-03	CP	Fort Totten Community School	ND	K-6	156.00	-
A05-04	C	St. Michael Tribal School	ND	PK-6	216.00	-
A06-01		Pine Ridge Agency				
A06-02	D	American Horse Day School	SD	K-8	147.00	-
A06-05	C	Little Wound Day School	SD	K-12	534.50	-
A06-06	D	Manderson Day School	SD	K-8	210.00	-
A06-13	C	Loneman Day School	SD	K-9	283.00	-
A06-16	R	Oglala Community School	SD	K-6,9-12	584.50	126.00
A06-18	D	Porcupine Day School	SD	K-8	152.50	-
A06-23	D	Crazy Horse School	SD	K-12	268.50	-

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Res.	
A07-01		Rosebud Agency					
A07-09	C	St. Francis Indian School	SD	K-12	416.50	-	
A07-10	P	Rosebud Dormitories	SD	1-12	-	70.00	
A09-01		Sisseton Agency					
A09-03	CP	Enemy Swim Day School	SD	K-1	70.50	-	
A10-01		Standing Rock Agency					
A10-03	D	Bullhead Day School	SD	K-8	67.00	-	
A10-05	D	Little Eagle Day School	SD	K-8	78.50	-	
A10-08	R	Standing Rock Community School	ND	K-12	530.50	15.50	
A11-01		Turtle Mountain Agency					
A11-02	D	Dunseith Day School	ND	K-6	156.50	-	
A11-08	C	Ojibway Indian School	ND	K-8	244.50	-	
A11-09	CP	Turtle Mountain Elem. & Middle Sch.	ND	K-8	879.00	-	
A11-11	C	Turtle Mountain High School	ND	9-12	456.00	-	
A14-01		Crow Creek Agency					
A14-02	CP	Fort Thompson Community School	SD	K-6	146.00	-	
A14-04	C	Crow Creek High School	SD	7-12	187.50	124.50	
A15-01		Lower Brule Agency					
A15-02	CP	Lower Brule School	SD	K-12	227.50	22.50	
C50-01		BILLINGS AREA OFFICE					
C50-05	C	Labre Indian School	MT	K-12	420.50	70.00	
C50-06	C	Busby School	MT	K-12	164.50	-	
C50-07	C	Wyoming Indian High School	WY	9-12	174.50	-	
C50-08	C	St. Stephens Indian School	WY	PK-9	216.50	-	
C50-10	C	Rocky Boy Reservation H. S.	MT	9-12	(68.00)	-	2/
F50-01		MINNEAPOLIS AREA OFFICE					
F50-03	C	Bug O Nay Ge Shig School	MN	K-12	83.50	-	
F50-04	C	Nay-Ah-Shig Day School	MN	7-12	46.00	-	
F50-05	C	Lac Courtes Oreilles Ojibway S.	WI	K-12	233.00	-	
F50-06	C	Oneida Tribal Indian School	WI	K-8	104.50	-	
F50-07	C	Hannahville Indian School	WI	PK-8	36.00	-	
F50-09	C	Circle of Life Survival School	MN	7-12	55.00	-	
F50-10	C	Sac and Fox School	IA	PK-4	54.50	-	
F50-11	C	Fond-du-Lac Ojibway School	MN	7-12	(43.50)	-	3/
S50-01		EASTERN AREA OFFICE					
S50-09	C	Indian Township School	ME	K-8	92.00	-	
S50-10	C	Pleasant Point School	ME	K-8	118.00	-	
S50-11	C	Indian Island School	ME	PK-6	86.00	-	

1/ Oct./Nov. Final 1981 Adjusted ISEP Count
2/ Not included in the Fall Count.
3/ Not included in the Fall Count

SOUTHERN REGIONAL EDUCATION OFFICE
Oklahoma City, Oklahoma

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Res.
B00-01		ANADARKO AREA OFFICE				
B00-07	O	Riverside Indian School	OK	9-12	240.50	240.00
B00-08	O	Concho School	OK	1-8	167.50	166.00
B00-09	C	Kickapoo Nation School	KS	K-12	96.25	-
G00-01		MUSKOGEE AREA OFFICE				
G00-04	O	Sequoyah High School	OK	9-12	181.50	180.50
G00-06	P	Carter Seminary	OK	1-12	-	101.00
G00-07	P	Eufaula Dormitory	OK	1-12	-	108.00
G00-08	P	Jones Academy	OK	1-12	-	196.00
S50-01		EASTERN AREA OFFICE				
S50-07	D	Ahfachkee Day School	FL	1-8	46.50	-
S50-08	C	Miccosukee School	FL	1-9	43.50	-
S52-01		Cherokee Agency				
S52-03	D	Cherokee School	NC	K-12	1021.00	-
S78-01		Choctaw Agency				
S78-12	D	Chitimacha Day School	LA	K-8	30.00	-
S78-13	D	Red Water Day School	MS	K-8	99.50	-
S78-14	D	Standing Pine Day School	MS	K-6	55.50	-
S78-15	D	Tucker Day School	MS	PK-5	75.50	-
S78-21	D	Bogue Chitto Day School	MS	PK-8	137.50	-
S78-22	D	Conehatta Day School	MS	K-8	133.00	-
S78-23	R	Choctaw Central School	MS	PK-12	580.50	90.50

NORTHWEST REGIONAL EDUCATION OFFICE
Portland, Oregon

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Res.
C50-01		BILLINGS AREA OFFICE				
C50-03	P	Blackfeet Dormitory	MT	1-12	-	108.50
C50-04	C	Two Eagle River School	MT	9-12	44.00	-
E00-01		JUNEAU AREA OFFICE (SERVICE CENTER)				
E00-06	O	Mt. Edgecumbe	AK	9-12	349.50	346.50
E00-08	D	Klukwan Day School	AK	1-8	14.00	-
E02-01		Bethel Agency				
E02-02	C	Akiachak Day School	AK	K-8	87.50	-
E02-03	C	Akiak Day School	AK	K-8	12.00	-
E02-04	D	Alakanuk Day School	AK	K-8	140.00	-
E02-05	D	Chefornak Day School	AK	K-8	62.00	-
E02-06	C	Chevak Day School	AK	K-12	153.50	-
E02-09	D	Goodnews Bay Day School	AK	2-8	29.00	-
E02-13	D	Kasigluk Day School	AK	K-8	34.50	-
E02-14	D	Kipnuk Day School	AK	K-8	75.50	-
E02-16	D	Kwethluk Day School	AK	K-8	89.50	-
E02-17	D	Kwigillingok Day School	AK	K-8	42.00	-
E02-19	D	Mekoryuk Day School	AK	K-8	27.00	-
E02-21	D	Napakiak Day School	AK	K-8	49.50	-
E02-22	D	Napaskiak Day School	AK	1-8	67.50	-
E02-23	D	Newtok Day School	AK	1-8	32.00	-

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Fall 82 ADM Res.
E02-24	D	Nightmute Day School	AK	1-8	29.00	-
E02-25	D	Nunapitchuk Day School	AK	K-9	68.50	-
E02-26	D	Oscarville Day School	AK	K-8	15.50	-
E02-28	D	Quinhagah Day School	AK	K-8	97.00	-
E02-29	D	Scammon Bay Day School	AK	K-8	64.50	-
E02-32	D	Toksook Bay Day School	AK	1-6	72.00	-
E02-33	D	Tuluksak Day School	AK	K-8	63.00	-
E02-34	D	Tuntutuliak Day School	AK	K-8	56.50	-
E02-35	D	Tununak Day School	AK	K-8	54.00	-
E03-01		Fairbanks Agency				
E03-05	D	Cruikshank Elementary School	AK	3-8	13.50	-
E03-16	D	Tetlin Elementary School	AK	3-8	17.00	-
E03-17	D	Venetie Day School	AK	K-8	40.50	-
E03-19	D	Grayling Day School	AK	1-8	28.00	-
E03-20	D	Snageluk Day School	AK	1-8	18.00	-
E04-01		Nome Agency				
E04-05	D	Diomede Day School	AK	1-8	35.00	-
E04-06	D	Elim Day School	AK	1-8	37.00	-
E04-07	D	Gambell Day School	AK	1-8	95.00	-
E04-08	D	Golovin Day School	AK	1-8	19.50	-
E04-16	D	St. Micheal Day School	AK	K-8	56.50	-
E04-17	D	Savoonga Day School	AK	K-8	92.00	-
E04-19	D	Shaktoolik Day School	AK	1-8	31.00	-
E04-22	D	Stebbins Day School	AK	K-8	95.50	-
P00-01		PORTLAND AREA OFFICE				
P00-21	C	Quileute Indian School	WA	PK-8	54.75	-
P00-22	C	Paschal Sherman Indian School	WA	1-8	96.00	59.50
P00-23	C	Yakima Tribal School	WA	PK,10-12	81.00	-
P00-24	C	Puyallup Tribal School	WA	PK-12	135.00	-
P00-25	C	Nez Perce Day School	ID	7-12	27.50	-
P00-26	C	Shoshone-Bannock Alternative	ID	7-12	51.00	-
P00-27	C	Couer d' Alene Indian School	ID	PK-8	75.00	-
P00-28	C	Wah-He-Lute Indian School	WA	PK-8	- [4]	-
P00-30	O	Chemawa Indian School	OR	9-12	441.50	442.00
P00-33	C	Lummi	WA	K-8	38.50	-
H50-07	O	Intermountain School	UT	9-12	778.00	778.00
H50-09	C	Pyramid Lake School	NV	9-12	54.00	-

WESTERN REGIONAL EDUCATION OFFICE
Phoenix, Arizona

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Fall 82 ADM Res.
H50-01		PHOENIX AREA OFFICE				
H50-03	C	Duckwater School	NV	PK-8	22.00	-
H50-05	O	Phoenix Indian High School	AZ	9-12	483.00	464.50
H50-06	O	Sherman Indian High School	CA	9-12	632.50	654.00
H50-08	C	Hava Supai Day School	AZ	1-7	58.50	-
H50-10	D	Salt River Day School	AZ	K-6	191.50	-
H52-01		Ft. Apache Agency				
H52-11	D	Cibecue Day School	AZ	K-8	213.50	-
H52-12	D	John F. Kennedy Day School	AZ	K-8	101.50	-
H52-21	R	Theodore Roosevelt Boarding School	AZ	5-8	107.50	108.50

[4] Instructional Count was included in the Puyallpu Tribal School (P00-24) Count.

School Code	School Type	School Name	State	Grade Level	Fall 62 ADM Instr.	Res.
H54-01		Papago Agency				
H54-11	D	Santa Rosa Ranch Day School	AZ	K-6	28.00	-
H54-21	R	Santa Rosa Boarding School	AZ	K-8	458.00	127.50
H54-22	D	San Simon School	AZ	K-8	251.00	-
H55-01		Salt River Agency				
H57-11		Pima Agency				
H57-12	C	Blackwater Community School	AZ	PK-3	30.00	-
H57-13	D	Casa Blanca Day School	AZ	K-4	82.00	-
H57-14	D	Gila Crossing Day School	AZ	K-5	154.00	-
H65-01		Hopi Agency				
H65-11	D	Polacca Day School	AZ	K-6	147.00	-
H65-12	D	Second Mesa Day School	AZ	K-6	209.50	-
H65-13	D	Hopi Day School	AZ	K-8	125.50	-
H65-14	C	Hoteville Day School	AZ	K-7	91.50	-
H65-15	D	Moencopi Day School	AZ	K-5	40.00	-
H65-21	CP	Keams Canyon Boarding School	AZ	K-8	274.00	260.50
M00-01		ALBUQUERQUE AREA OFFICE				
M00-10	C	Pine Hills School	NM	PK-12	381.00	73.50
M00-11	C	Santa Fe Indian School	NM	7-12	470.00	466.50
M00-13	P	Jicarilla Dormitory	NM	1-12	-	59.00
M20-01		Southern Pueblos Agency				
M20-02	D	Sky City Community School	NM	K-8	337.00	-
M20-04	D	Isleta Elementary School	NM	K-6	270.50	-
M20-05	D	Jemez Day School	NM	PK-6	171.50	-
M20-12	D	San Felipe Day School	NM	K-4	243.00	-
M20-22	D	Zia Day School	NM	K-6	72.00	-
M21-01		Laguna Agency				
M21-02	D	Laguna Elementary Day	NM	K-6	475.00	-
M25-01		Northern Pueblos Agency				
M25-13	D	San Ildefonso Day School	NM	K-6	38.50	-
M25-14	D	San Juan Day School	NM	K-6	67.50	-
M25-16	D	Santa Clara Day School	NM	K-6	93.50	-
M25-19	D	Taos Day School	NM	K-8	143.50	-
M25-20	D	Tesuque Day School	NM	K-6	25.00	-

NAVAJO REGIONAL EDUCATION OFFICE
Window Rock, Arizona

School Code	School Type	School Name	State	Grade Level	Fall 62 ADM Instr.	Res.
N32-01		Shiprock Agency				
N32-02	R	Aneth Community Boarding School	UT	K-6	225.00	102.00
N32-03	P	Aztec Dormitory	NM	4-12	-	111.00
N32-04	D	Beclabito Day School	NM	K-4	87.00	-
N32-05	D	Cove Day School	NM	K-6	107.00	-
N32-06	R	Nenahnezad Boarding School	NM	K-6	331.25	141.50
N32-07	D	Red Rock Day School	AZ	K-6	142.50	-
N32-09	R	Sanostee Boarding School	NM	K-8	392.50	174.00
N32-10	R	Teecnospos Boarding School	AZ	K-8	483.58	308.00

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Res.
N32-11	R	Toadlena Boarding School	NM	K-6	170.50	96.00
N32-13	P	Shiprock Reservation Dormitory	NM	7-12	15.50 5/	106.50
N32-15	C	Shiprock Alternative School	NM	9-12	102.50	-
N32-16	C	Navajo Academy	NM	9-12	113.00	113.00
N32-17	C	Shiprock Early Childhood	NM		21.50	-
N33-01		Western Navajo Agency				
N33-02	D	Chilchinbeto Day School	AZ	K-5	90.50	-
N33-04	R	Dennehotso Boarding School	AZ	K-5	233.50	139.00
N33-05	P	Flagstaff Dormitory	AZ	9-12	-	150.50
N33-07	R	Kaibeto Elementary Boarding School	AZ	K-8	461.50	308.00
N33-08	R	Kayenta Boarding School	AZ	1-8	475.00	471.50
N33-09	R	Leupp Boarding School	AZ	K-8	343.50	304.00
N33-11	R	Navajo Mountain Boarding School	AZ	1-3	34.00	34.00
N33-13	D	Red Lake Day School	AZ	K-5	150.50	-
N33-14	P	Richfield Dormitory	UT	9-12	-	140.00
N33-15	R	Rocky Ridge Boarding School	AZ	PK-3	147.50	58.50
N33-16	R	Shonto Boarding School	AZ	K-8	978.50	669.00
N33-19	R	Tuba City Boarding School	AZ	K-8	850.50	676.50
N33-22	CP	Tuba City High School	AZ	9-12	550.50	552.00
N33-24	C	Little Singer Community School	AZ	1-7	41.50	-
N34-01		Eastern Navajo Agency				
N34-02	R	Baca Boarding School	NM	K-1	72.00	34.00
N34-03	C	Borrego Pass School	NM	K-6	108.00	-
N34-04	D	Bread Springs School	NM	K-3	89.00	-
N34-05	R	Chi Chil Tah Boarding School	NM	K-4	119.50	61.00
N34-06	P	Huerfano Dormitory	NM	1-12	22.50	108.00
N34-08	D	Jones Ranch School	NM	K-4	51.50	-
N34-10	R	Lake Valley Boarding	NM	K-8	107.50	74.50
N34-12	R	Mariano Lake Boarding School	NM	K-3	105.50	57.50
N34-13	D	Ojo Encino Day School	NM	K-3	94.50	-
N34-15	R	Pueblo Pintado Boarding School	NM	K-5	173.50	98.50
N34-16	R	Standing Rock Boarding School	NM	K-2	55.00	26.00
N34-17	R	Dlo Ay Azhi Boarding School	NM	1-5	109.50	106.50
N34-18	D	Torreon Day School	NM	K-4	198.50	-
N34-20	R	Wingate Elementary Boarding School	NM	1-8	613.50	584.00
N34-21	R	Wingate High Boarding School	NM	9-12	839.50	793.00
N34-23	R	Crownpoint Boarding School	NM	K-8	597.50	446.50
N34-24	R	Dzilth-Na-O-Dith-Hle School	NM	K-8	375.50	230.50
N34-25	D	Canoncito Day School	NM	K-12	277.50	-
N34-26	P	Magdalena Dormitory	NM	1-2	-	158.50
N34-27	C	Alamo Navajo School	NM	K-12	254.00	-
N35-01		Chinle Agency				
N35-04	D	Cottonwood Day School	AZ	K-6	273.50	-
N35-06	R	Low Mountain Boarding School	AZ	K-3	122.00	41.50
N35-07	R	Lukachukai Boarding School	AZ	K-6	322.00	170.00
N35-09	R	Nazlini Boarding School	AZ	K-5	110.50	70.50
N35-10	R	Pinon Boarding School	AZ	K-3	240.00	108.00
N35-11	C	Rock Point Community School	AZ	K-12	421.00	44.50
N35-12	C	Rough Rock Demonstration School	AZ	PK-12	406.50	147.50
N35-20	R	Chinle At Many Farms Boarding	AZ	1-8	693.00	693.50
N35-21	R	Many Farms High School	AZ	9-12	645.00	625.00
N35-23	C	Black Mesa Community School	AZ	PK-8	37.00	-

5/ Special Education Students.

School Code	School Type	School Name	State	Grade Level	Fall 82 ADM Instr.	Fall 82 ADM Res.
N36-01	Fort Defiance Agency					
N36-03	R	Chuska Boarding School	NM	1-8	363.50	353.00
N36-05	R	Crystal Boarding School	NM	1-6	124.00	103.50
N36-06	R	Dilcon Boarding School	AZ	K-8	700.50	308.00
N36-08	R	Greasewood Boarding School	AZ	K-8	351.50	157.50
N36-09	P	Holbrook Dormitory	NM	1-12	-	229.50
N36-11	R	Hunters Point School	AZ	1-5	164.50	163.00
N36-14	R	Kinlichee Boarding School 6/	AZ	K-2	102.00	-
N36-18	R	Pine Springs Boarding School	AZ	K-4	50.50	33.50
N36-19	R	Seba Dalkai Boarding School	AZ	K-3	90.50	48.50
N36-20	P	Snowflake Dormitory	AZ	9-12	-	98.00
N36-22	R	Tohatchi Boarding School	NM	1-8	290.50	292.50
N36-24	R	Wide Ruins Boarding School	AZ	K-5	130.00	97.50
N36-25	P	Winslow Dormitory	AZ	4-12	-	183.50
N36-27	R	Toyei Boarding School	AZ	K-8	353.00	283.00

6/ Boarding facilities under renovation

C - Contract Schools
D - Day Schools
R - Reservation Boarding Schools
O - Off-Reservation Boarding School
P - Peripheral Dormitories
CP - Cooperative Schools

SIZE AND NUMBER OF BIA OPERATED SCHOOLS BY ADM AND TYPE OF SCHOOL

ADM FALL COUNT, FY 1982 - 42,700.33*

Type of BIA School	Number of Schools by Student ADM - Instruction													
	1-25	26-50	51-75	76-100	101-150	151-200	201-250	251-300	301-400	401-500	501-600	601-800	801+	TOTAL
Off-Reservation Boarding Schools	-	-	-	-	-	2	1	1	2	2	-	2	-	10
On-Reservation Boarding Schools	-	1	3	1	11	3	3	1	8	4	4	4	3	46
Day Schools	9	18	16	15	10	7	4	5	1	1	-	-	1	87
Contract Schools	4	11	9	10	6	5	4	3	1	6	1	-	-	60
Dormitories	-	-	2	1	8	3	1	-	-	-	-	-	-	15
Cooperative Schools	-	-	1	-	2	1	1	1	-	-	1	1	1	9
TOTALS	13	30	31	27	37	21	14	11	12	13	6	7	5	227
%	6	13	14	12	16	9	6	5	5	6	3	3	2	100
#	13	43	74	101	138	159	173	184	196	209	215	222	227	

Range of ADM: 12 - 1,021

Mean = 190.6 (Does not include 3 new starts)

*October/November Count - 1981, Includes Dormitory students (1,928).

Summary: FY 1982 FINAL STUDENT AIM FALL COUNT

#	School Type	Instructional	Residential
10	Off-Reservation Boarding School	3,910.00	3,908.00
46	On-Reservation Boarding School	15,404.33	10,010.50
87	Day School	9,683.00	-
60	Contract School	8,571.50	1,309.50
15	Dormitory	38.00	1,928.00
9	Cooperative	3,165.50	936.50
227*		40,772.33	18,092.50
224	Dormitory	1,928.00	
	Total	42,700.33	

* 3 schools not included in Fall count.

OUTSTANDING CONTRACTS

Senator STEVENS. What is going to happen to the contracts that are outstanding with several of the villages from the Bureau to operate these schools? They were under contract. Have you served notice to those villages of the termination of the contracts?

Mr. RAILEY. No, sir, we have not served that notice yet. We plan to operate them next year as the contract specifies. However at the end of that period the contract will end for lack of funding.

Senator STEVENS. Will that be at the end of the school year or the end of the fiscal year 1983? Are you budgeting to continue through fiscal 1983?

Mr. RAILEY. That determination is yet to be made.

Senator STEVENS. Has there been any kind of task force working on this with the State and with the village people to see to it that these schools just don't get abandoned and closed and someone tries to open them up 3 months later?

Dr. PAXTON. Mr. Chairman, we do have a group that is working with the State from the area office with the area director named as the leader. Our education people are also working on that particular work group.

Senator STEVENS. I'm sure you are as familiar as I am with the schedule for ordering supplies for these schools. They must come in on the *North Star* in the summertime for the full year. What are you going to do about using the *North Star* for the supplies that will be necessary for the fiscal year 1984? Those normally would be paid for during the 1983 year. Are you going to pay for them?

Dr. PAXTON. The procedures that we have set up for procurement of supplies and food is taken care of by the area director and his support staff at Juneau. Those supplies have already been ordered according to the schedule. And it is my understanding, Mr. Chairman, that the supplies that are ordered and in place will also be transferred.

Senator STEVENS. Yes, but you miss my question. I'm talking about fiscal 1983. You're still operating the schools. The normal process would be for you to order the supplies for 1984 in the fall of 1982 to get them into Seattle so they get on the *North Star* in the spring of 1983 so they'll be there in the summer of 1983 to operate for the fiscal year 1984. Now, are you going to do that?

Dr. PAXTON. My colleague reminds me that he is aware of this, that the supplies have already been ordered for the transfer of schools, and they will be taken care of, yes, sir.

OPERATION OF THE NORTH STAR III

Senator STEVENS. Is there any document or procedure outlined for the transfer of these schools? What about the backup equipment, the spare parts that have been down in Seattle? And the operation of the *North Star* itself—what's going to happen to that now? With the closure of the day schools—as far as the BIA is concerned, that's your goal—what happens to the *North Star*?

Mr. SMITH. Mr. Chairman, as far as I know, we plan to continue to operate the *North Star*, but I think there is some discussion right now with the area director and the central office in reviewing that process. But I could give you more specific information.

Senator STEVENS. I'd like to know the cost of operating the *North Star* for the last 3 years, and how much you project its cost would be for the next two.

What has been the source of funds for the *North Star* so far? I don't remember seeing it reflected for this year? Is it in this budget?

Mr. SMITH. Mr. Chairman, let me ask one of my budget people.

Senator STEVENS. Pretty soon it will be like the Department of Agriculture. I conducted a Department of Agriculture hearing once. My friend there will recall the day we found out there were as many employees of the Department of Agriculture as there were farmers. Pretty soon we are going to have as many employees of the BIA as there are Indians and Natives here.

Who has the answer to this question?

Mr. SMITH. They tell me it's a reimbursable program.

Senator STEVENS. Who finances it, and where is the money this year? And isn't it reimbursed by the schools themselves right out of the same budget?

Mr. SMITH. Yes; it is partially reimbursed by the same budget, but I think it's partially by some others—the State, as I understand, also comes in on this. They have a supply ship, and they reimburse the expenses of the *North Star*. It is a break-even operation, as I understand.

Senator STEVENS. I'm not sure the State is contemplating taking over the *North Star*, and I think that might be a nice surprise if we could tell the Governor that he's just taken over 16 schools and half of the *North Star*, too.

Mr. SMITH. As I understand, Mr. Chairman, they are meeting with us about the supplies being shipped on the *North Star*.

UPGRADING COSTS FOR ALASKA SCHOOLS

Senator STEVENS. BIA did a study in 1979, which I understand has now been updated, and it indicates that the upgrade costs for these 16 schools is a minimum of $11 million. Is that right? Is my information right on that? What is the cost of the upgrading of the 16 schools?

Mr. SMITH. The 16 schools that we are going to be transferring, Mr. Chairman?

Senator STEVENS. As I understand it, that's the desire you have expressed, to transfer 16 now rather than the 37 for this year.

Mr. SMITH. Yes, sir.

Mr. RAILEY. Mr. Chairman, our costs as of January 1982 for a life safety upgrade is $2.9 million.

Senator STEVENS. What other upgrade costs are there? You're talking about life and safety?

Mr. RAILEY. We're talking about critical life safety. To bring it up to total—fire codes, everything—would be much beyond that and we'll have to supply that for the record. But critical life safety is what we have been dealing with at this point, and that's $2.9 million.

Senator STEVENS. I should think if my State is being asked to take over the operation of day schools and is the only State having that request made of it, the least the Bureau could do is to comply with the State codes, as far as safety is concerned, in transferring these schools.

Part of it, I understand, involves teachers' quarters and utilities. Will you tell us your intentions about that? What are you going to do about those?

Mr. RAILEY. Those are considered part of a facility at a particular location, and they are included in this $2.9 million figure for life safety code.

We'll be happy to submit any other information we have above that particular breakout.

[The information follows:]

Backlog of facilities improvement and repair, facilities replacement, Alaska day schools

Klukwan	$1,489,015	Tuluksak	663,457
Akiachak	1,875,063	Tuntutuliak	2,569,189
Alakanuk	972,422	Tununak	2,010,995
Chefornak	2,659,389	Beaver	126,148
Chevak	3,259,014	Venetie	449,156
Goodnews Bay	1,428,143	Grayling	797,044
Kosigluk	1,613,063	Shageluk	1,144,700
Kipnuk	3,048,984	Diomede	1,643,491
Kwethluk	2,244,536	Elim	266,229
Kwigillingok	2,088,730	Gambell	1,225,693
Mekoryuk	1,112,290	Golovin	239,743
Napakiak	1,372,890	St. Michael	1,147,532
Napaskiak	2,515,522	Savoonga	2,318,284
Newtok	1,510,625	Shaktoolik	435,126
Nightmute	1,597,932	Stebbins	1,256,300
Nunapitchuk	1,166,684	Tetlin	427,929
Oscarville	2,249,109		
Quinhagak	1,200,466		
Scammon Bay	1,906,865		
Toksook Bay	1,458,171	Total cost to upgrade or replace Alaska schools	53,489,929

ALASKA SCHOOL SITE CONVEYANCES

Senator STEVENS. It is my understanding that the problem is now complicated by the fact that the Department has already conveyed the land on which some of these schools are located to Native regional corporations under the Land Claims Act. Are you familiar with that?

Mr. SMITH. I am not aware of that. I don't think we have conveyed them, but we can supply that for the record.

Do you know?

Mr. RAILEY. Some land does belong to the Native corporations, and we'd have to have a use agreement with the Native corporation in order to transfer these schools. We are aware of that, and the Juneau area office is working on that problem right now.

Senator STEVENS. The Land Claims Act exempted from conveyance lands that are necessary for existing Federal programs. Why didn't you exempt the school areas from the transfers?

Mr. RAILEY. I'm afraid I can't answer that.

Mr. SMITH. Mr. Chairman, we'll supply that for the record.

[The information follows:]

ALASKA SCHOOL SITE CONVEYANCES

Schools already transferred were not utilized and lands involved were required to be transferred under the Land Claims Act by the Bureau.

As for those schools currently utilized, the Bureau has requested 3(e)(1), exemptions-from-transfer, from the Bureau of Land Management (BLM) in order to retain small parcels as needed for our programs. The Juneau area office has begun to negotiate an alternative arrangement whereby the village corporations would receive ownership of the land currently used in exchange for other lands owned by the village corporations. Incident to such an exchange would be an agreement by the villages to lease the property for 50 years to the State of Alaska in order that the State could continue education activities in the Federal established facilities.

BIA POLICY ON REMAINING DAY SCHOOLS

Senator STEVENS. I am reaching to the conclusion that the children of the State are probably going to be better off being taught by people who keep some records, anyway. I can't quite understand this process, and I hope that we can have some understanding of the terms before there is any change in the current policy. Sixteen schools are to be transferred this year; is that right?

Mr. SMITH. Yes.

Senator STEVENS. Have you a new policy position with regard to the balance, the 21 schools, operated by the BIA?

Mr. SMITH. Mr. Chairman, as I understand it, they are talking about 16 or 17, depending on what we agree with the State on this coming year. We probably will be proposing transfer of the balance for the following year.

Senator STEVENS. Well, I would hope you'd do some research on your records before you push too far against the people who believe they have a right to be consulted and to have some participation in regard to the transfer of the schools. I am talking about the village people who were assured there would be consultation before those schools were transferred to the State.

Mr. SMITH. Mr. Chairman, we have plans of getting out there this summer and carrying on some consultation with the villages that still have BIA schools in them.

COSTS TO JOHNSON-O'MALLEY PROGRAM

Senator STEVENS. Do you know what it's going to cost in Johnson-O'Malley funds once you transfer these schools to the State? What is the payment under the Johnson-O'Malley program that is going to go to the State for the education of the same students?

Dr. PAXTON. Mr. Chairman, I can give the amount in Alaska as being $274.03 as the State JOM per-student amount.

Senator STEVENS. That's not what I'm asking. If you transfer these 16 or 17 schools—and we've got this calculation of savings that is going to be presented to the committee—what is it going to cost under the Johnson-O'Malley program to educate the same students? They will all be eligible for Johnson-O'Malley payments, as I understand it.

Dr. PAXTON. Our analysis is for the 1982 JOM distribution. When we have the fiscal year 1983 amount appropriated, then it would be placed to the States by formula. And the new Alaska State transfer students will be taken into account.

Senator STEVENS. Does anybody have the total amount that's projected for 1984 for Johnson-O'Malley if we carry out your suggestions in 1983 and transfer 17 schools?

Dr. PAXTON. At this point in time, Mr. Chairman, no.

[CLERK'S NOTE.—Prior to the hearing, the Bureau had indicated in writing that if all the Alaskan schools were tranferred, the JOM funding for Alaska would increase from $5,775,182 in fiscal year 1982 to $6,177,528 in fiscal year 1983.]

Senator STEVENS. There are two other programs, Indian education from the Department of Education, and impact aid. Will you calculate for the committee what is going to be the cost to the Government in payments to the State under the other programs? Did anyone run those numbers, Mr. Smith, before the proposal was made to dump 37 schools all at once?

Mr. SMITH. We were trying to get a handle on those with the Department of Education. I'm not sure if we have or not yet, because they were not sure what it was going to end up as.

Senator STEVENS. I think my colleagues from other States may be interested to know, if you are going to increase Johnson-O'Malley funds, or are you just going to keep them the same and divide them under a larger number of pupils? Is there a proposal to increase Johnson-O'Malley funds for 1984?

Mr. SMITH. We do not have a proposal for 1984, Mr. Chairman, but for 1983 the amount remains the same.

Senator STEVENS. It has for the last couple of years, hasn't it?

Mr. SMITH. Yes.

Senator STEVENS. So if you put all of the Alaska students into that same category, it's going to diminish the payments for the support of Indian students in non-Federal schools in other States; is that right?

Dr. PAXTON. Assuming the number of students go up, it will decrease the amount of money, Mr. Chairman, per student.

Senator STEVENS. Well, I don't know if any of my colleagues have any questions about Alaska. As you can see, I'm clearly confused with this policy.

Do you have a question about another matter, Senator?

Senator BURDICK. Yes, one on North Dakota. [Laughter.]

Senator STEVENS. I think it would be refreshing to have something different.

Wait a minute. Your colleague was here first. You guys ought to flip, I guess.

Senator ANDREWS. That's all right. We're interested in the same thing. Go ahead.

UNITED TRIBES EDUCATIONAL TECHNICAL CENTER (UTETC)

Senator BURDICK. Earlier this week I received a copy of a letter to North Dakota Governor Olson from Ted Krenzke of the BIA in which he made reference to the tentative fiscal year 1983 budget for United Tribes Educational Technical Center in Bismarck. The indication was the budget figure would be $560,000. For the past several years I have offered amendments to keep the center operating on an adequate funding level. $560,000 is a 50-percent cut from what was actually allocated in fiscal year 1982. And more dramatically, it is a 74 percent cut from UTETC's highest allocation which occurred in fiscal year 1979.

You can see from these figures that the center has experienced a staggering decrease in funding over the past 3 years. UTETC has been supported by the North Dakota congressional delegation since it began. I have a letter from Governor Olson requesting additional funding for the center.

UTETC TRAINING PROGRAMS

UTETC offers all important additional education and training to Indians from at least 23 different tribes. Although it is located in North Dakota, its impact is felt throughout the Nation. When Indian employment is running lower than 50 percent, it seems ludicrous that this activity should be so drastically cut, and I doubt that UTETC will be able to keep its doors open on a budget of $560,000, which is about one-fourth of what it was, as I said, back in 1979.

Can you tell me what prompted such a drastic cut and how you justify it at this time for Indian training and employment? And, of course, is it correct? Is that the figure?

Mr. SMITH. Senator, we have Ted Krenzke here, and I think he might be better prepared to answer that question. Ted.

Mr. KRENZKE. Senator, this particular program is funded under our employment assistance program, and the budgets for that program come under a system which involves the tribes essentially setting the priorities for the funding of that program. And it was in connection with this tribal priority-setting process that a reduced amount of priority was set in relation to the funding of that particular program, and that explains the reason for the cut in that particular training program.

Senator BURDICK. Well, we weren't aware of that, obviously, but is the figure that I just mentioned the figure that they're talking about, $560,000?

Mr. KRENZKE. Yes, sir. I had signed the letter that you referred to, and this was the information that was given to me. They did not ask for a reduction to that level, but it was based on a percentage cut for that specific program. That is how the figure was arrived at.

Senator BURDICK. Are you familiar with the center?

Mr. KRENZKE. I have not visited the center, but I am generally familiar with the programs and the operation.

Senator BURDICK. Do you think there could be a viable operation with roughly 25 percent of the original funds?

Mr. KRENZKE. It is certainly not going to be able to maintain the full program that it has operated in the past.

Senator BURDICK. Will it be viable at all at that rate of funding?

Mr. KRENZKE. I'm not certain about the answer to that question, sir.

Senator BURDICK. Was this decided by any consultation with North Dakota tribes, or was this just a decision of the Aberdeen area office, do you know?

Mr. KRENZKE. The information I have is that the whole business of establishing that funding in fiscal year 1983 was arrived at by a process that did have the tribal involvement with the setting of the priorities within the Aberdeen area, a reduction of priorities for this particular program.

Senator BURDICK. Do you mean to say that this cut got the blessing of the tribal governments in that area?

Mr. KRENZKE. They were involved, as I am advised, in this decision which reduced this program, yes.

Senator BURDICK. Well, you must be talking to different people, because I have irate people out there that learned about this cut and didn't know it was as great as it is. So we will have to check that a little further.

Thank you very much.

Senator STEVENS. Senator Andrews.

WAHPETON BOARDING SCHOOL

Senator ANDREWS. Thank you, Mr. Chairman.

Mr. Smith, on March 11, the chairman of this committee, the chairman of this subcommittee, and the chairman of the counterpart subcommittee in the House, Congressman Yates, sent you a letter pointing out the appropriations bill for fiscal 1982 as passed by Congress provided for the operation of the Wahpeton Indian School and other Indian schools for the entire fiscal year, and no funds were either requested or provided for closeout costs.

These committees further requested, that BIA cease all actions pertaining to the closure of the schools until such time as a request for reprograming was sent to the Congress and was subsequently approved. To date, we haven't received any requests for the reprograming of fiscal 1982 moneys. Yet, I heard in the Select Committee on Indian Affairs, on which I also serve, in hearings in this very room, of the plan to close these three schools.

As I understand, during the course of the hearings—and I was chairing them—you said you were going to plan to close these schools, and you said the closeout costs would come from the fiscal 1982 appropriations.

Now, I don't know what happens to the mail service between the Hill and the Department of the Interior, but it seems to take an inordinately long time. When you don't lose the questions, you seem to lose the letters.

Does the Department of the Interior plan to submit a request for reprograming to us and, if so, when? It's been 6½ weeks since we sent our letter to the Department.

Mr. SMITH. Senator, I am aware of the request by the two Appropriation Committees, and I have signed off on that particular letter which will be signed by the Secretary hopefully very shortly. And I signed off on that letter, I think, a couple of days ago.

Senator ANDREWS. Does that say you are going to submit a request for reprograming?

Mr. SMITH. We will be requesting reprograming.

Senator ANDREWS. And what actions have you taken in respect to closing these schools? Have you sent out reduction-in-force notices?

Mr. SMITH. Mr. Gabe Paxton will talk to that.

Dr. PAXTON. We have sent out the first notices of a proposed reduction in force to the staff. This has been done by the appropriate personnel offices in the area offices.

Senator ANDREWS. Have you renegotiated the teachers' contracts?

Dr. PAXTON. For this next year?

Senator ANDREWS. Yes.

Dr. PAXTON. It is my understanding that as a part of the reduction-in-force process, this is not happening at the moment.

Senator ANDREWS. Well, what is the BIA going to do should Congress take action to turn down your reprograming request? Are you fellows going to fly out in the field and take over the positions of teachers?

Dr. PAXTON. Our personnel officers are geared up to take care of any eventuality at Aberdeen and in Oklahoma, as well as at Albuquerque. Our personnel offices will take care of such an eventuality.

Senator ANDREWS. The BIA, as I understand it, has informed the Indian Affairs Committee that it was working on placements for the current student population. I have some letters on that myself. I know Mr. Paxton of the BIA went to Wahpeton to discuss possible BIA employment with the current staff. From what account did the moneys come for these actions, given the letter that you received 6½ weeks ago from the Appropriations Committee? Did you draw on any fiscal year 1982 moneys appropriated to operate the school, for the purpose of shutting down the school, with the express denial of the use of funds for that purpose by the committee?

Dr. PAXTON. I want to make sure I understand your question, Senator.

USE OF FISCAL YEAR 1982 FUNDS FOR CLOSEOUT COSTS

Senator ANDREWS. Well, the question is 6½ weeks ago you got a letter from the Appropriations Committee telling you not to proceed with any shutdown of the school until you had sent up a request for reprograming and that request was gone along with. We also said that no funds were to be used for closeout costs. And now we seem to hear that you have been using funds for these closeout costs, contrary to any reprograming action, contrary to the express written direction of the Appropriations Committee. And the question is, I think, rather clear: Did you?

Dr. PAXTON. I'm not aware of any funds being used for the closeout purposes.

Senator ANDREWS. You haven't used any funds to send people out to tell people they were going to be RIFed and these schools were going to be closed down?

Dr. PAXTON. That is true, sir.

Senator ANDREWS. Well, that's closeout costs, isn't it? If you use these moneys for these closedowns, can you explain to the committee the legal justification for such action, given the letter from the Appropriations Committee?

Mr. FRITZ. Senator, excuse me. It is my understanding that the administrative limits that were placed on the reprograming effort are such that any moneys which were expended thus far have fallen well within those limits. From my own personal perspective, I view these as purely administrative costs on the part of the Bureau's day-to-day operations as opposed to anything specifically geared toward a closedown.

Dr. Paxton's visit to the school was what I would characterize as an operational visit as opposed to just a visit specifically for the purpose of teacher——

Senator ANDREWS. Now, assuming you do send this reprograming request, which is down somewhere in the bowels of your Department that you have signed off on——

Mr. SMITH. It's up above me now. [Laughter.]

Senator ANDREWS. It's above you now. It's getting up there. It's had a pretty long gestation period down there. Assuming it's going to come up here, what is your understanding of our required action to approve or deny such request? Does our response to this have to be by formal action of the committee or by letter or what?

Mr. SMITH. Mr. Joe Gorrell might be better equipped to answer that one.

Senator ANDREWS. Fine.

Mr. GORRELL. Senator Andrews, our normal procedure in submitting reprograming proposals to the committees, both in the House and the Senate, is for those to come before you and wait for your response to those.

Senator ANDREWS. Before you go ahead with the action?

Mr. GORRELL. Yes; there is, in fact, in the reprograming procedures, a section that indicates that if we do not hear anything within 30 days we may go forward with our proposal.

Senator ANDREWS. But you don't count in that 30 days the delay of time in which you held the request before you sent it back to us, do you?

Mr. GORRELL. No.

Senator ANDREWS. That's 30 days after we get it.

Mr. GORRELL. After you get it. The Department rarely, if ever, in my memory, has taken that action. We do wait, in fact. The track record is very clear on this point. The Department does wait until we get a response from the committees, both House and Senate.

STUDENT PLACEMENT

Senator ANDREWS. Now, during the hearing before the Indian Affairs Select Committee, the BIA witnesses—many of you were there and actually were the witnesses—stated that the Bureau would be contacting the local public schools to discuss the placement of the students. What has the response been from these public schools in light of the cuts on impact aid and other Federal funding?

Dr. PAXTON. As you know. sir, when we were here before we were proceeding with our planning. We had not proceeded very far. However, at the present time, in the closure of the specific schools, we now have contacted every parent. We have presented the alternatives to those parents. And a part of our planned followup is for our education and social worker counselors to not only meet with the parents further and with the students but also with the receiving school where each student is expected to go.

Those plans have proceeded so far much faster in Oklahoma simply because of the smaller geograpic area that is involved. It has been, we have to admit, a little more difficult concerning Wahpeton because it's in a six-State area.

Senator ANDREWS. In the case of Wahpeton, have you sent a team to discuss the options with the parents or the guardians of the children as you did in the Concho school?

Dr. PAXTON. We have not done so yet, sir. We have sent a representative from our office to the area office to make sure these things are becoming operational.

Senator ANDREWS. So you have not discussed yet these options with these parents in the case of the Wahpeton school?

Dr. PAXTON. Oh, yes, sir, but we have not sent a team.

Senator ANDREWS. How do you discuss with the parents unless you go out where the parents are and talk with them?

Dr. PAXTON. There's been either an educator or a social worker who has contacted each parent.

Senator ANDREWS. Well, the contact is a strange one, and that's why I wonder. In the case of Concho you sent out a team that was an experienced, mature, knowledgeable team. In the case of the Wahpeton school, you just say that somebody out there in the field has maybe talked to a parent or guardian.

I have been very concerned, and we have brought out in this hearing, about where these children will go. These aren't problem children. These are children from problem parents, and they need the protection of a boarding school so that they might not become some negative statistic in the next few years.

I have a sheet signed off by one of your people pointing out the living arrangements for the students—you lost two students someplace along the line—but of the 251, 28 were going to live with relatives, 3 in foster care, 17 unknown, and 203 with the parents—mother, father, or both.

I have another sheet with another compilation, called, "BIA's school preference breakdown," and you've got 28 that want to be in a reservation boarding school, 24 that want to be in an off-reservation boarding school, 5 that want to be in some type of BIA school, but undecided on which one, and only 20 that want to be in a BIA day school. Some 34 want to be in a BIA contract school. Now, that's only 111. Somehow or another, you've lost 139 students.

In this sample of 111, however, might I point out, Mr. Secretary, that fully 50 percent of these students have indicated that they want the boarding school atmosphere. Yet, on the letter before you say that 203, virtually all of them—or plus 28, which is 230-some-odd out of 250—are going to be living with their parents.

Talk about being confusing. Not only do we have to wait for the information, but when we get the information it's all over the place. And now you say you haven't really sent a trained team out, and that's certainly clear because the statistics we've got are almost unintelligible.

My concern—the concern of the committee—is for the children and for the atmosphere they are going to be put in. I've talked with Secretary Watt, I've talked with Secretary Smith, I've talked with everybody to give us these statistics. They have been very accommodating and have sent some of the nicest people in the world to come into my office. But each time I get a new sheet of paper the information and data on it becomes more confusing. And I'm sure it's as confusing to you as it is to me.

Senator STEVENS. Will the Senator yield for just a moment?

Senator ANDREWS. Sure.

Senator STEVENS. Off the record.

[Discussion off the record.]

Senator STEVENS. Back on the record.

I will print this back in the record after the Senator's comments. I do appreciate your comments.

I am submitting a series of questions on behalf of the committee. One pertains to the Community College Act. We have inquired whether there is an audit planned of the colleges receiving assistance under Public Law 95–471. I want to make sure you understand if there is not one planned, this amounts to a request from this committee to conduct such an audit.

PLACEMENT OPTIONS FOR PARENTS OF WAHPETON STUDENTS

Senator ANDREWS. In discussing options with parents, did you simply state that the Wahpeton school would be closed down? In other words, did you slant the questions so the parents or guardians couldn't say whether or not they preferred that the children go to the Wahpeton school?

Dr. PAXTON. Our approach, Senator, was if the school closes, and we wanted each parent to know that, "What would be your alternative for placing your students?" I would not characterize it as slanting. I would simply say that we wanted them to face the reality that there was a great possibility the school would close, and it made good sense to us to have an alternative plan for each student.

Senator ANDREWS. On the information you gave me, you acknowledged some of these students were going to have to attend other BIA boarding schools because of social reasons. On one sheet, about half of them are counted as going to BIA schools but on another sheet, darned few of them are counted. But somehow or another I'm sure you're going to come up with figures that are more responsive than these—at least I would hope so. My guess would be that more than half of the students would be continued in boarding school based on the judgments of the people in the reservation areas as well as the people that work with the students at the school.

Where is the closest BIA boarding school?

Dr. PAXTON. It varies, but so far as the graduating eighth graders are concerned, the closest school for them would be Flandreau.

Senator ANDREWS. But I understand you are going to close it next year. So you bounce them from Wahpeton to Flandreau, and then what do you do? Put them in orbit for a while?

Dr. PAXTON. We also have some local schools.

Senator ANDREWS. You are probably working on that.

Dr. PAXTON. I would like to backtrack just a little, Senator——

Senator ANDREWS. Please do.

Dr. PAXTON. You mentioned that in one of our reports we talk about 111 going to BIA schools. We broke that down in another report so you would know the different categories. But also, in addition to the 111, we had 84 who said they were going to public school, and 9 were going to other parochial-type schools.

Senator ANDREWS. So the 111 is the share of the 250 that said they wanted to stay in BIA schools?

Dr. PAXTON. If there appears to be some confusion on the total number each time, it's because the enrollment changes. There has not been too much change since the last time we discussed this matter. However, from time to time the total enrollment does change.

HOME ENVIRONMENTS OF WAHPETON STUDENTS

Senator ANDREWS. Well, again we get down to the bottom line, and that is that you take these kids from the more protective environment of the boarding school—that's why they're there—but more than 50 percent of them are going to be living at home and attending day schools. And as was established in the hearings before the select committee, these are not—let me say this again—problem children; they come from problem homes.

What about the future of these young children if they are sent back to the negative environment from which they were removed in the best judgment of the tribal leaders and the social workers on the reservation—and their own judgment, too, as much as a young child might have judgment about what's good for him—what happens to them?

Dr. PAXTON. My visit, Senator, to the Aberdeen area office to meet with the education administrators, as well as the social workers at the area level, was to insure that we make appropriate professional plans for each student. The main purpose of my going out to Aberdeen, in addition to making sure that everyone was aware of what the proposals were, was to insure that every possible option and avenue would be explored to make sure that the welfare of each student was taken into account. The Aberdeen area staff assured me that they were sensitive to the needs of the community, the needs of the parents, and the needs of the students.

Senator ANDREWS. That's wonderful and that certainly is something that none of us could disagree with. But again let me point out the problem with that logic. It's prospective. You just said that you are going to do these in-depth studies to find out what the needs of these students are someplace out there—a month, 2 months, 3 months from now. You're nodding your head and I accept it.

Fine. The only trouble is 2 months ago we held the hearings to determine that you didn't know really what you were going to do. You have told us you haven't had time to send the same type of trained team to interview these children's guardians or parents in the Wahpeton area that you did in the Concho area. You're making one of the strongest cases I can possibly imagine for keeping the school open for another year while you finally get your facts in line.

Do you understand what I'm driving at?

Dr. PAXTON. I understand.

Senator ANDREWS. Am I far off base when I suggest that, given the answers we've gotten from you?

Dr. PAXTON. I can only suggest, sir, that it is our normal procedure to do this planning during the 3-month summer vacation. And our social workers again informed me that the reason that some of these parents are not being more specific concerning their students is because they normally make these plans during the summer period, since family circumstances sometimes change.

Senator ANDREWS. That's true, but because these are young American Indian children—250 of them in this case, and others in the case of the schools in New Mexico and in Oklahoma—it seems to me to be not only totally uncaring for the children, totally bad public policy. but just not viable to say that you are going to shut down the schools and, then tell the folks affected after the middle of May or the latter part of May that there's no more school there, and the summer is the best time to study what's best for the students. Goodnight, Nelly, do you realize how that sounds?

You don't sound happy in saying it, let me say.

Dr. PAXTON. If I thought that would be true for the next school term, that the students' needs were not going to be taken care of, I would also professionally be honest enough to say so.

Senator ANDREWS. But you don't know—this isn't my statement; it's your statement.

Dr. PAXTON. At this point in time, that is true, Senator. From the Office of Indian Education Programs, I am committed and I have received the commitment from other professionals that we are going to see that each student's needs are taken care of.

Senator ANDREWS. But again you're totally candid and objective in saying that you simply don't know right now; you don't have that information.

Dr. PAXTON. We know what each parent has said up to this point in time.

Senator ANDREWS. In a once-over-lightly survey, but you have also said you need the summer to get the detailed information to justify the closing.

Again, I think you have made the case very strongly yourself that we do in fact need another year to get our facts in line and know where we're at.

GENERAL OVERHEAD COST REDUCTION

On a different note, briefly: The overall overhead cost reduction of $16 million—you sent up a budget justification during other hearings, and the BIA stated it would furnish a detailed plan of the cost reductions, specifically the impact on Indian programs versus the impact on the administration. I believe Congress is still waiting for the plan.

What is the impact on education programs of that $16 million cut?

Dr. PAXTON. I would ask the administration to respond to that, Senator.

Senator ANDREWS. Fine.

Mr. HUGHES. Senator, the administrative reduction is going to result from reorganization that is under planning now. We have submissions from the regions for proposals that are under analysis, and we will have to submit that for the record. The detailed breakdown is under analysis now.

Senator ANDREWS. Fine.

IMPACT OF THE $16 MILLION CUT ON EDUCATION PROGRAMS

The table reflects the breakdown by program of the $16 million savings projected for fiscal year 1983. This table is the result of a survey of the areas and is subject to revision when final staffing and reorganization plans are approved. These funds are programed at the central and area offices and will not be applied against operations of schools or programs at the agency level.

Program	*Reduction*
School operations (area level)	$1,000,000
Education	1,000,000
Tribal government services	1,485,000
Social services	408,000
Law enforcement	1,083,000
Housing	505,000
Self-determination	748,000
Indian services	4,229,000

Program	*Reduction*
Business enterprise development	$513,000
Employment development	826,000
Road maintenance	274,000
Economic development and employment programs	1,613,000
Forestry and agriculture	746,000
Natural resources development	746,000
Indian rights protection	650,00
Real estate and financial trust services	2,325,000
Trust responsibilities	2,975,000
Management and administration	4,505,000
Facilities management	932,000
General management and facilities operations	5,437,000
Operation of Indian programs	16,000,000

RESPONSIBILITY FOR INDIAN EDUCATION

Senator ANDREWS. Mr. Smith, the Bureau of Indian Affairs' witnesses, including you, have repeatedly stated in hearings on the fiscal 1983 budget that the education of Indians is not a trust responsibility. Would you clarify that issue for me? What is your definition, as a matter of departmental policy, of trust responsibility?

Mr. SMITH. Well, Mr. Senator, I don't think trust responsibility has ever been defined. I don't think it has been through the court system. If you asked several people, you would probably get different answers as to how to define trust responsibility.

We believe it relates to the tangible assets that we hold in trust for Indians that we manage and protect, which is the land and things pertaining to their land, the resources on that reservation, the money we hold, and so forth. That's what we look at as pertaining to the trust responsibility.

Senator ANDREWS. Has the BIA traditionally treated education as a trust responsibility?

Mr. SMITH. I don't think it has. I'm not saying, Senator, that education is a lesser priority. We have a very long legislative responsibility to provide education and social programs. As you can see, what makes up most of our budget is education programs.

Senator ANDREWS. Then it would seem to me that one of the most important programs——

Mr. SMITH. It is an important program, but we don't define it as a trust. But again, it's a matter of opinion.

Senator ANDREWS. I've never heard that kind of statement from an Assistant Secretary for Indian Affairs before, and that's why it bothers me. You suddenly exclude one of the most important programs from the trust responsibility.

Mr. SMITH. Well, as I indicated, I relate it to tangible assets that we hold in trust.

Senator ANDREWS. Senator Schmitt.

Senator SCHMITT. Thank you.

I think you will agree, Mr. Secretary, that it's a treaty responsibility.

Mr. SMITH. I think that's where our responsibility comes—treaty, acts of Congress, court actions that take place, and that sort of responsibility.

ALAMO NAVAJO SCHOOL

Senator SCHMITT. I have a couple of issues for you, Mr. Secretary.

First, the Alamo Navajo School that I believe you are familiar with—the Alamo Navajo Reservation is located in a remote section of New Mexico near Magdalena, N. Mex. If you don't know where Magdalena is, I can clarify that. [Laughter.]

The locally controlled Alamo Navajo School Board provides education to over 300 students from kindergarten through the 12th grade. And this is done through contract with the BIA.

Students are 96 percent unhoused. If and when the Magdalena dormitory is closed, an option being considered in a study of schools on the Navajo Reservation overall, an additional 179 students will return to the Alamo Navajo School for schooling.

And we will have a few questions for the record to get some statistical information and some factual information about construction priorities and so forth.

But pending construction of a school facility, the school board has leased portable, prefabricated buildings. The only source of funds to pay the lease cost of these buildings, which is about $112,000 per year, is taking money out of the instruction program. These lease costs, amounting to over $9,000 each month, are being diverted away from teachers' salaries, textbooks, school supplies, and the like.

What is the proper mechanism for the school board to be reimbursed for these lease costs, if in fact there is any?

Mr. SMITH. Senator, let me call on Frank Latta of our school facilities staff.

Mr. LATTA. When the facilities that were put at Alamo, they had signed a lease purchase agreement with the Baines Co. in Albuquerque for those buildings.

In order to be ranked for new construction, the school board changed from the lease purchase agreement to a rental agreement so they would be counted as temporary facilities. On that basis we ranked them and counted the kids, all except the ones in the kindergarten building which was permanent, as unhoused.

They were told if they changed the agreement and owned those buildings, we would consider them housed because the units were adequate. They were safe and provided space for the students. It was up to the school board, then—they made the decision to rent the buildings instead of buying them, so they would be eligible for a new facility.

We've got a school under design now. We have let a contract to have Alamo School designed for a new facility. But we have no money to buy the buildings for them.

Senator SCHMITT. Well, do you have money that they can get to be reimbursed for the lease costs while you work out the construction questions?

Mr. LATTA. I know of no funds that are available for that.

Senator SCHMITT. Are you working with the school board to try to resolve the situation?

Mr. LATTA. We've talked with them about that. We brought this up at the time when they decided to rent rather than buy the buildings. They were aware of that when they chose to rent the buildings on a temporary basis while a new facility was being planned for them. That was their decision.

Senator SCHMITT. Maybe with the answers to our questions for the record we will be able to work with you to see if there is any alternative that might develop. I'm sorry to hear what you're saying.

Mr. LATTA. We'd be happy to.

Senator SCHMITT. But usually we can find a way if we just put our minds to it.

SOUTHWESTERN INDIAN POLYTECHNIC INSTITUTE CLOSURE

There is another subject, which is of somewhat broader concern, and reaches even into our national Indian education capability. As you know, I have had, along with many others, a great concern about the proposal in the administration's budget to close, at the end of this fiscal year, the Southwestern Indian Polytechnic Institute. I think this decision is not only premature and inconsistent with other decisions in the budget, but I would suggest to you that it is foolish.

There is considerable local support for the school, considerable industry support for the school, and obviously a great deal of tribal support for the school.

Secretary Watt—and I'm much appreciative of this—has agreed to reconsider the closure if the local people, in cooperation with industry and other entities, can provide an alternative to Federal funding for the school. That alternative is being worked. The preliminary proposal has been made to the Department, as I hope you are aware.

Now, a great deal of the justification for closing the school seems to be based on the performance in its early years. In the last few years we have seen steadily improving management. The placement rate has steadily improved. There are training courses offered in what are, I think, universally agreed to be 12 high-demand career fields. The cost effectiveness of the program is increasing, and enrollment has increased 30 percent while the program costs have decreased. So all the trends in this school are positive.

Certainly the cost per student, even now, is less than at Haskell or at the IAIA, both of which still remain open.

Some programs, like the food preparation training program, are self-sufficient.

Now, as you recall, there was a favorable BIA on-site evaluation as late as 1981 that recommended continuation of the school for the reasons I have given as well as others.

There is a lack of comparable programs. The students enrolled here could not be placed in a comparable situation in other BIA institutions. Haskell is at its capacity. Tribally controlled community colleges are not comparable.

And when all of these things are put together, and add to that the local support in New Mexico from the Governor, the city of Albuquerque, and from many local and national industrial concerns, it seems to me that you really must reevaluate this decision. You must look not only at the specifics of the proposal for additional private sector contributions toward the cost of running the institution, which has already been presented to you, but you must work with them to develop a schedule of transition so that the school can remain in operation over the next fiscal year. You must be assured and the Indian tribes must be assured and the school must be assured that there is a future, and that the work they have done to improve their situation, to establish favorable trends in cost and performance, has not been just wasted effort, effort that has been supported in the past by the Department of the Interior.

Now, specifically what is the status of your consideration of the private sector plans to provide increasing levels of support?

Mr. SMITH. Well, let me answer that, Senator.

We talked about SIPI early in the year. When I first came in we were reviewing the budget process, and SIPI is one of the ones that throws a red flag up, just as some of the off-reservation boarding schools, when we were working on a lean budget.

It had a rough time in the first 10 years of its operation. There has been low enrollment which resulted in very high cost with a lot of, you might say, poor management in the school. I would have to agree with you today; I think we have a very excellent president in charge of that school.

Senator SCHMITT. And you'd admit there is full capacity, practically?

Mr. SMITH. As I understand, there are over 500 students there at this particular time. When we were evaluating it—of course, it's hard to evaluate that particular school with other schools that we do operate because that's the only vocational school we operate. We had to evaluate it as to what cost we could find the services elsewhere for the same type of vocational training. Our average cost of our AVT, which is the adult vocational training program, is about $4,000 per student. That was sort of my gage coming in. We were spending from $5,800 to $8,000 per student in SIPI.

Senator SCHMITT. But with those trends coming down, right?

Mr. SMITH. Yes; they are coming down.

With those sets of figures staring me in the face, I wondered whether it was really worth it to operate it in-house, or should we go out and buy the services for $4,000. That's what triggered the decision to close SIPI.

HASKELL INDIAN JUNIOR COLLEGE AND IAIA

Senator SCHMITT. Would you explain to me why similar decisions weren't made for Haskell and IAIA?

Mr. SMITH. Well, I think we are trying to evaluate apples and oranges.

Senator SCHMITT. But you just mentioned cost. That's the only thing you mentioned as a primary factor. There may be other factors, but if it's a primary factor, those other two schools are far more costly than SIPI.

Mr. SMITH. We are taking a good evaluation, I think, of IAIA——

Senator SCHMITT. That isn't what I heard. I heard that, that is going to be funded.

Mr. SMITH. It is going to be funded for the next 2 years, but we are going to take a good look at it. We have a task force now that we had planned in-house to evaluate that and see where do we go with it. We'll have to make a decision this year on that particular program.

I might add that we do have a new proposal from the private sector that is involved with SIPI. We are waiting for a firm proposal from them, a firm commitment from the private sector. And when we receive that, the Secretary indicated, I think as he indicated to you, that he would take another look at it.

Senator SCHMITT. So right now the status, in answer to my question, is that you are waiting for more information.

Mr. SMITH. More information from the school and the private sector.

Senator SCHMITT. Do they know this?

Mr. SMITH. Yes; I indicated this to Ron Mills. I am looking for a more firm commitment from the private sector.

Senator SCHMITT. When did you indicate that?

Mr. SMITH. It must have been 1 or 1½ weeks ago by telephone.

Senator SCHMITT. While this process of evaluation goes on, what administrative actions will occur relative to the ongoing academic program?

Mr. SMITH. Well, administratively I don't think we have done too much. We went a partial way through our closing procedure, and I think we are sort of in abeyance right at this particular time, but as I understand we are running out of time so that we will probably have to make a firm decision in the next week or two.

Senator SCHMITT. Have you any indication from Mr. Mills when the additional information——

Mr. SMITH. I have an appointment with Mr. Mills tomorrow.

Senator SCHMITT. What is your personal feeling, Mr. Secretary?

Mr. SMITH. Well, in looking at the cost——

SIPI COST COMPARISONS

Senator SCHMITT. Well, you can say looking at the cost, but you're not being consistent. I could say that you are evaluating some other schools with higher costs, but why in the world would you pick your lowest cost institution to close while evaluating a higher cost institution?

Mr. SMITH. I'm looking at other schools around the area we can send students to and looking at those costs versus the costs of trying to operate a school. Sometimes maybe it's not worth it to operate a school in-house. If you can buy the service for a lesser cost outside of your system, that might be a better route to go.

Senator SCHMITT. Have you had specific figures quoted to you for transferring these specific students?

Mr. SMITH. Yes.

Senator SCHMITT. Where? TVI?

Mr. SMITH. TVI, I think, is one of the schools we have taken a look at. There are other community colleges that we have looked at.

Senator SCHMITT. What kind of input have you had from the various tribes?

Mr. SMITH. Well, naturally, most tribes around the area probably are proposing not to close the school. That's what I would gather.

Senator SCHMITT. If, in fact, the decision to close was held to, what would be the Department's intention with respect to the facility?

Mr. SMITH. The facility? There have been a variety of proposals. I'm sure it's a very excellent facility. As I understand, it was built only 10 years ago. We haven't determined exactly what we would use it for. At one time, after looking at our off-reservation boarding school program that we are running, one suggestion was that we turn that into a secondary vocational off-reservation boarding school. That is a possibility.

Another possibility is moving some of our offices that we have in the Albuquerque area—we have quite a few offices in the Albuquerque area. We might be able to move some of those offices in that particular facility.

Senator SCHMITT. That's not a reason why the BIA is looking so covetously at closing this particular facility?

Mr. SMITH. No, it isn't. But I toured the facility about 1 month ago, and I thought it was a well-run school today. I will admit that.

Senator SCHMITT. In view of the trends that I summarized, and in view of the fact that higher-cost institutions are going to remain open for at least 1 year or 2, if not longer, don't you think it would be prudent for us to buy ourselves another year of operation at SIPI to see if there really is a viable option for the private sector and other entities to operate the school?

Mr. SMITH. Well, that might be a possibility.

Senator SCHMITT. It is the only school of its kind in the country; is it not?

Mr. SMITH. It is the only vocational school that BIA runs at this time, but there are probably services that are similar elsewhere that we can buy.

Senator SCHMITT. But as far as the schools for Indian education——

Mr. SMITH. Oh, yes, it is the only one of its kind in the country; yes, sir.

Senator SCHMITT. And it presumably was justified in creation because of the feeling that there are some unique cultural transition problems, at least, that Indian students face that may not be faced by non-Indian students even within the same local society. Is that not correct?

Mr. SMITH. Yes, that is correct.

Senator SCHMITT. And you think that by contracting out there will be other ways in which these particular difficulties can be overcome, or do you no longer think there are significant difficulties?

Mr. SMITH. No, I think they can be overcome, Senator. I can't recall the figure, but it seems to me under our AVT program—and I'm not sure who will correct me here—but we have approximately 16,000 students going to school under our AVT program.

Senator SCHMITT. And what does it cost per student?

Mr. SMITH. Around $4,000 per student.

Senator SCHMITT. Does that include——

Mr. SMITH. It includes the room and board.

Senator SCHMITT. Room and board and food and the same essential items that are provided at SIPI?

Mr. SMITH. Yes.

Senator SCHMITT. Could you provide for our record the documentation?

Mr. SMITH. Yes; we will provide it for your record.

Senator SCHMITT. And how those costs vary from place to place around the country.

Mr. SMITH. Yes; we will do that.

Senator SCHMITT. Do you know what the range of costs is?

Mr. SMITH. No.

Senator SCHMITT. It wouldn't by any chance range from $2,000 to $8,000, would it?

Mr. SMITH. We will provide you the information.

[The information follows:]

ADULT VOCATIONAL TRAINING

The average cost per trainee under the adult vocational training (AVT) program is approximately $4,000 per trainee. The cost includes transportation and subsistence en route to training location, tuition and related costs, weekly maintenance, medical costs, tools for training and needed transportation and subsistence en route to job location after completion of training. The range of costs is: low—$2,000; high—$4,500. The low cost is possible in those areas where the Indian trainee can reside at home and commute for training. Also, more emphasis in the AVT program is for an individual to train near to his home area, with less emphasis placed on relocation to an urban area. This helps to keep the training cost down. Random selection of areas reflects the variations in cost for the AVT program:

	Per trainee
Navajo area	$2,000
Anadarko area	2,500
Albuquerque area	3,000
Portland area	3,400
Phoenix area	4,000
Juneau area	4,500

ADDITIONAL COMMITTEE QUESTIONS

Senator SCHMITT. There are some more questions that will be submitted for your response.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Funding for Alaska School Transfer

Question: One option presented in your March 10 letter required the transfer of 16 schools at the end of this school year and the other called for the transfer of all the day schools at the end of the current year. The second option included a payment of about 5 million, 900 thousand dollars to the State. What is the authority for the Bureau to make such a payment to the State?

Answer: If all 37 day schools were transferred to the State of Alaska and a one-time, special, lump sum payment of $5.9 million were to be made, the Bureau would have requested a reprogramming authorization from the Congress. The funds would have been transferred using the Johnson O'Malley Act authority.

Question: What is the source of this $5.9 million?

Answer: The FY 1983 budget estimates approximately $10.7 million for the operation of 37 day schools and Mt. Edgecumbe Boarding School in Alaska. From this figure, costs to release and relocate employees ($1,004,193) and the costs to operate Mt. Edgecumbe ($3,800,000) provide a difference of approximately $5.9 million. The $3.8 million operating cost for Mt. Edgecumbe was based on not allowing a freshman class or new starts in the upper grades.

Facility Funding For Alaska Day Schools

Question: How many of the 37 schools are in compliance with State fire and safety codes and how many are operating under waivers?

Answer: Thirty-five are in violation of the State fire and safety codes. None are operating under waivers at this time.

Question: It is estimated that almost $77 million would be required to bring these schools up to code. Of the fiscal 1982 appropriation of $38,400,000 for facility improvements and repair, how much is being spent to improve the Alaska day schools?

Answer: There are five Alaska day schools scheduled for improvement and repair (FI&R) in FY 1982, at a total cost of $4,297,255, they are: Kwigillingok, ($1,549,445), Tuntutuliak ($593,331), Good News Bay ($563,255), Toksook Bay ($795,370), and Savoonga ($795,854). FY 1981 funds were used for design of these schools and the designs are complete. However, because of questions regarding the status of the lands, these projects have been delayed and the facility improvement is now tentatively planned for FY 1983.

Five other schools in Alaska (designed with FY 1980 funds) appeared on the FY 1981 FI&R program, but were not completed in FY 1981 are: Napaskiak ($302,164), Stebbins ($431,664), Nunapitchuk ($623,667), Venetie ($361,164), and Tetlin ($379,761). We now expect only two of these schools to be improved in FY 1982 (Napaskiak and Stebbins). The other three (Nunapitchuk, Venetie, and Tetlin) are out for bids now, but the contracts will not let in time for improvements to occur prior to FY 1983.

Question: There is $45 million requested for facility improvement and repair in fiscal 1983. How much of that will be spent on Alaskan schools?

Answer: Beyond the possibility of financing a portion of the ten projects mentioned above the Bureau is not planning to spend any funds on Alaskan schools in FY 1983 unless the Bureau still operates the facilities and critical life safety needs exist.

School Staffing

Question: It has recently come to the Committee's attention that the Bureau employs all school maintenance and cafeteria personnel for a full twelve-month period. Why aren't these people furloughed when school is not in session?

Answer: At the schools that do not furlough all their food service or maintenance employees, these employees are used to supervise and assist in summer food service programs, menu revisions for the Fall-Spring semesters, carry out an inventory, and off-season maintenance.

Question: For the record, please provide the total number of cafeteria and maintenance personnel associated with all schools, the cost of these positions, the source of funding for the positions and the estimated savings which could be achieved through summer furloughs.

Answer: Only a few of the 227 bureau funded schools plan to keep cafeteria employees on their payroll for twelve months. The total number of employees to be paid during the summer is 60 and if furloughed would save the schools $358,721. Funding for the above employees is from School Operations, ISEP funds, Activity 3100.

A breakdown of the [food service] employees working during the summer this year follows:

	Area/Agency	Number	Purpose
1.	Cheyenne River Agency	1	Education Specialist who oversees food service program
2.	Fort Totten Agency	2	To supervise USDA summer food service program
3.	Pine Ridge Agency	1	Supervisor to all Agency food service programs
4.	Turtle Mountain Agency	3	Summer recreation program
5.	ANADARKO AREA	4	In Service Training (Riverside)
6.	Eastern Navajo Agency	49	Tribally Sponsored Summer programs, and menu revision, inventory, maintenance, etc.

The maintenance activities performed through the summer months is necessary maintenance work that can only be accomplished during the absence of students to reduce possible risk of student injury.

The following table provides information regarding full-time and furlough employees performing maintenance work at Bureau of Indian Affairs schools. However, it must be emphasized that the figures are approximations:

AREA NAME	FULL TIME	% *	FURLOUGH	% *
1. Portland	9	100	1	100
2. Navajo	105	100	5	75
3. Phoenix	66	100	45	100
4. Albuquerque	41	40	43	40
5. Anadarko	19	100	2	100
6. Muskogee	26	100	1	90
7. Minneapolis	0	0	0	0
8. Juneau	61	79	31	100
9. Eastern	47	58	33	42

	AREA NAME	FULL TIME	% *	FURLOUGH	% *
10.	Billings	2	100	1	100
11.	Aberdeen	22	100	17	75
	TOTAL	398		179	

* Percentage of time devoted to maintenance work at schools; the balance is spent performing work at other facilities.

Summary:

Number of employees working 12 months performing maintenance work at schools full-time: 249.

Number of employees working 12 months but performing only part-time work on schools: 149.

Number of employees working on a furlough basis performing maintenance work at schools full-time while employed: 80.

Number of employees working on a furlough basis but performing only part-time work on schools: 99.

Student Average Daily Membership

Question: When one compares the actual number of students in BIA schools with the projection made annually by the Bureau, you continue to overstate the number of students by about 3,000 annually. How valid is your estimate of 39,000 students for the coming fiscal year?

Answer: ISEP funding is based on a variation of the Average Daily Membership (ADM) concept. The estimated number of Instructional ADM is 39,000. This does not include 1,808 Dormitory ADM. The ADM is based on the average number of students in attendance during the two "count weeks." There are students who are not present during the count weeks but who are enrolled at a school. There are also students who are present during only one of the count weeks and are therefore counted as a 0.5 ADM. These three factors are the reasons why the actual number of students enrolled in BIA schools will normally exceed the ADM.

Indian School Equalization Formula

Question: In determining the weighted student count for distribution of the school equalization formula funds, no change is shown between '82 and '83 numbers for elementary school dormitories. The Bureau is proposing closure of the two off-reservation boarding schools for elementary school children. Why doesn't this change appear when you calculate the weighted student units?

Answer: The estimates of the ADM for dormitory students remained unchanged for FY 1982 and FY 1983 since it was unknown exactly how many of the Concho and Wahpeton students would remain in the Bureau's schools. However, since Concho and Wahpeton will remain open in FY 1983, the total number of weighted student units necessary in FY 1982 will also be necessary in FY 1983.

Institutionalized Handicapped Child Fund

Question: A new sentence has been added to the justification for the Institutionalized Handicapped Child Fund stating that the money will be distributed on a cost reimbursement basis negotiated with private institutions which are governed by Indian tribal groups?

Answer: This statement is not new. It also appeared in the 1982 budget justifications.

Question: Will you please provide a list of those institutions and their locations for the record?

Answer: The Tribally controlled institutions are:

St. Michael Association for Special Education
P.O. Box H
St. Michaels, Arizona 86511

Chinle Valley School for Exceptional Children
P.O. Box 1026
Chinle, Arizona 86503

A School for Me
P.O. Box 49
Tohatchi, New Mexico 87325

Question: If a state does not have an Indian governed institution, but does have other facilities available, will handicapped children from that state be forced to attend school in a state where the institution is tribally governed?

Answer: No. Institutional placement is based on the specific needs of children. The placement committee considers all alternatives prior to making the placement decision consistent with the least restrictive environment. Children needing institutional placement to meet their special education and related service needs have been placed in the following State, private-nonprofit facilities:

Yellowstone Boys and Girls Ranch (Montana),
Arizona Baptist Children's Associates,
Arizona Boys Ranch,
Beacon Foundation for the Mentally Retarded (Arizona),
Ann Carlson School (Arizona),
Desert Willow Ranch (Arizona),
Helaman House (Arizona),
New Foundation (Arizona),
Prehap of Mesa (Arizona),
San Pablo (Arizona),
Valley of the Sun School (Arizona),
Hozoni Foundation (Arizona),
New Mexico School for the Deaf,
Hinkley Home - School - Farm (Maine)

School Board Training Fund

Question: A 58% reduction is proposed for the School Board Training Fund. The justification states that school boards will be given the option of dipping into the actual school operation budgets to supplement the appropriated funds. Do you really believe that is a wise policy?

Answer: Since local school boards have the authority to approve the school budget it would be within their prerogatives to set aside some funds for training. However, schools may not have sufficient budget flexibility to allow for this. Thus, the training will be provided through technical assistance from Agency and Area personnel.

Question: Will the bureau then have any control over the amount the individual school boards decide is necessary for their own training and travel?

Answer: Yes. Pursuant to Sec. 1129(b) of P.L. 95-561, the supervisor of the school may appeal the action of the board to the superintendent for education of the Bureau Agency, and the superintendent may, for good cause and in writing to the local school board, overturn the action of the board.

Student Transportation

Question: The justification for student transportation states that boarding school students are provided only one round trip between school and their home each year. It is our understanding that when the formula was first established sufficient funds were provided for three round trips each year. Is our information correct?

Answer: The basis for calculating the transportation mileage for funding purposes for boarding school students is the one-way distance from the student's home agency to the school site [(25 CFR 31h.102(b)]. The purpose of the funds so generated (basic mileage x formula cost factor) is to provide "for the round trip transportation of students between home and school site" (31h.101). The formula does not provide for a specific number of round-trips each year nor does the formula, in practice, generate adequate funds to specifically provide three round trips for each ISEP funded boarding school student each school year.

Question: In the fiscal year 1981 justification, a statement was made that a transportation study was underway to develop more current school bus operating costs and purchased travel costs for students. Has that study been completed?

Answer: No, the study has not been completed. A draft, however, is currently under review.

Question: IF SO, PLEASE SUPPLY A COPY OF THE STUDY FOR THE RECORD.

Answer: A copy of the draft is enclosed for the Committee files.

Question: An increase of $166,000 over the fiscal 1983 base for transportation is requested to cover increased fuel costs. In the past year, fuel costs have decreased by more than 10¢ a gallon and there are no signs that we are in for major increases in this area. Is this $166,000 really necessary?

Answer: The estimate for the FY 1983 budget was based on the information available in January 1982, and at that time, the cost of fuel indicated that an increase of $166,000 was necessary. Because we had substantially underfunded this transportation budget in prior years, we feel we need the $166,000 to bring this cost into proper balance.

Educational Technical Support

Question: An increase of $425,000 is requested to fund the Management Information Service (MIS) at a level of $800,000. How much has been spent on the MIS system in the last three years?

Answer: In FY 1980, $800,000 was expended for the purchase of the Wang word processor for twelve area offices, technical support and the first phase of the MIS reporting requirements. In FY 1981, $779,916 was expended in the following categories:

- Technical support staff for each area office.
- Upgrading and maintenance of the reporting system (system included - financial reports; ISEP computer time; Higher education reporting system; Special education system, etc.)
- Maintenance of communication lines.

Funds appropriated for FY 1982 totalling $375,000 are being spent to up-grade the system and develop a data base management system.

Question: We understand that several years ago the Bureau purchased a number of Wang computers through this account, but that the programs have never been developed, so the computers are sitting idle. Is this correct?

Answer: In August 1979, twelve Wang word processor systems with work station tables, printers, and CRT's (cathode ray tube) were purchased for the twelve area education offices. To date, the higher education reporting system has been developed and maintained on the Wang word processor system. In addition to the higher education reporting system, the area education offices are utilizing the system as a word processor and storing basic and special data files for internal and other reporting purposes. Also, the area education offices are sharing the system with other program managers for including administrative functions within the area.

Question: Of the seven basic components listed in your long range plans for the MIS program, we were under the impression that at least three of those had already been developed. For instance, as part of the development for the school equalization formula, computer programs were established for student enrollment and financial data. The Office of Construction Management has developed a computer program for all the Bureau's school facilities. Have you decided that the existing systems for these three areas which have all been developed within the last four years are not adequate?

Answer: This year the MIS staff reviewed the school equalization formula, the special education system which has been partially developed, and the student enrollment system which never has been fully completed. After a review of the data elements and reporting requirements for education, it was determined that the further development of stand alone systems would duplicate the same data elements with little or no coordination. Duplication of data exist because these systems, during the development phases, were creating their own data needs without determining if the data already existed in another functional area. The development of separate systems has caused fragmentation and makes it almost impossible to do any interfacing after a system is completed. This direction is neither the most logical way to continue nor is it cost effective.

Presently, we are planning to design and develop an integrated data base system. The integrated data processing attempts to record each piece of data once and then to utilize it in that same form in every way possible to elicit information. Furthermore, the system will be designed to include full utilization at the local user level (school, agencies, teachers, administration, etc.). In light of the Bureau's transition from the Martin Marietta Data Service to the Burroughs system, it was the opportune time for education to reassess its MIS efforts and redirect its program which would be more economical and user oriented. Since all systems have to be converted to the Burroughs system, the redirections of the MIS program would be less costly.

Basically, the redirection of the MIS program will be to integrate the existing systems into a student record system which will begin as a very simple system and expand as the users become more familiar with the automated data processing. For example, the system will begin with a school directory, student general file, attendance report and a census file. However, the system will be expanded to include: student scheduling, mark reporting, cocurricular listing, testing of students, transportation, personnel, and finance. The prime objective of this plan is to evolve a system structure capable of satisfying education's current and future information needs.

Question: The State of Florida developed an MIS system for its entire school system at a cost of $600,000. Why should the Bureau's effort cost so much more?

Answer: Since the development of the Florida MIS system was started in the late 1960's and early 1970's, the ten year differential is not comparable. The Florida system was first developed by 2,000 schools using a paper and pencil form which was fed into thirty Jr. College Service Centers. The data was generated beginning on July 1 of each year and key-punched into a card file which was then mailed to one central location for processing. Our discussion with the individual who directed the program indicated that the $600,000 was used primarily for meetings, preparing report formats, and development of programming for software uses. The Florida system did not include the cost of equipment, telecommunications network, maintenance and up-grading of the systems and the cost of the technical staff to support the system. Also, the Florida system originally was a once-a-year report system, where as the Education MIS system is being developed as an on-line data entry which would provide data on a daily or as needed basis. Another, major cost factor is the cost of the Bureau's telecommunications network that must cover many states as opposed to one state.

Interim Formula Implementation Fund - Pre-Kindergarten

Question: One million, 723 thousand dollars ($1,723,000) is requested for the Interim Formula Implementation Fund. This account provides support to those schools which had pre-kindergarten programs funded in whole or in part with education funds in fiscal year 1979. The regulations required the continued support of these programs for only two years. How many schools are supported from this account and why have you decided to continue this support beyond the 2-year period?

Answer: There are fifteen (15) pre-kindergarten programs supported from this account. The decision to continue this support beyond the 2 year period is based on the Department of Interior, Bureau of Indian Affairs 25 CFR Part 31h Indian School Equalization Programs Subpart K, "Addition of pre-kindergarten as a weight factor to the Indian School Equalization Formula in fiscal year 1982."

Unavoidable delays in the publication of the education standards required that the same level be maintained in FY 1982 and other program priorities will require the same funding level in FY 1983. If the regulations are in effect in sufficient time, these funds will be distributed to these pre-kindergarten programs through the ISEF with their own weight factor.

Question: What would be the estimated cost of providing pre-kindergarten programs at all Bureau and contract day schools?

Answer: A minimum of one pre-kindergarten class of 15 students at each Bureau and contract day school (with a minimum weight factor of 1.00) would cost an estimated $4,509,725. However, not all schools would have this number of pre-kindergarten students.

Question: It seems highly unlikely that the Bureau will ever receive clearance to publish regulations expanding this program to all schools. Why should just a few schools continue to benefit simply because they had a program six years ago?

Answer: The fifteen pre-kindergarten programs existed before the funding formula was established. It was our intent to add pre-kindergarten programs as a weight factor to the Indian School Equalization Formula in fiscal year 1982, according to CFR Part 31h. Delays in development of a weight factor is the reason only 15 remained at their present funding level. If we do not receive approval to add a weight factor, we agree that it is not equitable to select a few schools to benefit while others wishing the same services are being denied. Should such a situation continue beyond FY 1983, a proposal to phaseout these programs in an orderly manner will be considered.

Johnson O'Malley Program

Question: An Inspector General's audit of the Johnson O'Malley program cited several instances of apparent misuse of funds in that children and a large number of chaperones were spending the money to pay for trips to amusement parks like Six Flags Over Texas and Disney Land. What steps has the Bureau taken to ensure that the funds are really used for programs of more educational value?

Answer: Specific guidelines for program proposals in the Education Plan have been developed for inclusion in the proposed revisions to the rules and regulations for Johnson O'Malley programs in 25 CFR 273. Education line officers will have the responsibility of determining that proposals meet the program criteria. The proposed rulemaking has been scheduled to be published soon.

Question: Are the tribal contractors required to submit any details on the proposed use of these funds?

Answer: Contractors are provided general guidelines for development of educational goals and objectives which adequately address the educational needs of Indian students served by the contract. They are also requested to develop a budget by line item to facilitate accountability. The proposed revision to the rules and regulations provide for specific guidelines in program and budget development that education line officers will use in reviewing applications for approval.

Question: The Cook Inlet Native Association in Anchorage, Alaska is using JOM funds to support ski instructions. Do you feel that this is a proper use of JOM funds?

Answer: Yes. This is a supplemental program developed by a parent committee to meet a special and unique need of Native students. The objective is to have students use time constructively in building good health and physical education habits and to promote physical skills. This activity, with a budget of $21,000 to serve 708 students includes bus transportation, lessons, equipment and a warm-up place. This amount is 2 1/2% of the total contract.

Question: The Fairbanks Native Association publishes a newspaper entitled New River Times with JOM funds. This would seem to be of benefit only to the adults who are employed to write the articles and publish the paper. What is your view of this activity?

Answer: We view this activity as appropriate for funding. This monthly newsletter is sent to parents of all eligible students in the JOM program. Included in the newspaper are descriptions of JOM and other educational activities, student interviews, articles on improving study habits, career education, improving self-image, etc. Dissemination of information through the newsletter keeps parents of students informed of JOM and other educational activities and this awareness promotes parental involvement and participation. The budget for this activity is $27,000, or 5% of the contract amount.

Question: The Fairbanks Native Association is also using JOM funds to pay for rental of a musical instrument for one of the students. Is this an allowable cost under the JOM program?

Answer: Yes. This is an allowable cost. Payment of the rental cost was based on financial need. The student would not have been able to participate in the school band without financial assistance. The contract contains a line item for $2,272 in the Student Services Program which covers purchases of materials and supplies for students in constructive and leisure time activities.

Institute of American Indian Arts

Question: One million, 688 thousand dollars ($1,688,000) is requested for the Institute of American Indian Arts. This level provides direct support at an average cost of over $11,000 per student. In addition, more than half of the students receive BIA grants and more than one-third receive Pell grants. How is it that students at IAIA, Haskell and Southwest Indian Polytechnic Institue are eligible for Pell grants when there is no tuition or room and board at these schools?

Answer: An institution of higher education is eligible to participate in the Pell Grant Program if it meets the appropriate definition set forth in 34 CFR 668, Subpart A, "Student Assistance General Provisions," which are Department of Education regulations. The institution "must be determined eligible to participate in these programs", before funds can be awarded to it by the Accreditation and Institutional Eligibility Staff of the Department of Education. The Bureau's three post-secondary institutions have been determined eligible to participate in these schools. Only those costs that are not provided by Bureau funds can be funded as cost of attendance expenses by the Pell Grant Program. These costs at the three Bureau Post-Secondary Schools are miscellaneous and transportation expenses for on-campus students and room and board, miscellaneous and transportation expenses for off-campus students.

The Pell Grant payment to eligible students at these institutions is $66.00 per semester for on-campus students and $341 for off-campus students. The maximum payment allowable under the formula is $132 for on-campus and $682 for off-campus students. The maximum allowable educational cost is $400 for on-campus students and $1,500 for off-campus students. This allowance does not meet the full need for off-campus students based on the high cost of room and board and other educational costs.

Question: The Senate report accompanying the fiscal year 1982 bill directed the Bureau to review the possibility of limiting the IAIA staff to the teaching of only the fine arts classes with the students attending the College of Santa Fe for the basic academic courses. This recommendation was based on audits showing that the English and Math classes offered by IAIA often had only 5 or 6 students enrolled. What action has the bureau taken in response to the Senate report?

Answer: The Bureau has upgraded the liberal arts curriculum and decided to offer the courses in-house, rather than contract with the College of Santa Fe for the following reasons:

(1) cost effectiveness - the cost at the College of Santa Fe is $100 per credit hour (or $300 for a 3 hour course),

(2) the courses at the College of Santa Fe are not compatible with the IAIA curriculum being neither Indian nor fine arts oriented.

The smaller number of enrollees is taken from a 1978 audit, the current data shows that the 150 students are each taking at least 2 liberal arts courses worth 3 credit hours each, the course load being shared by 8 instructors. The average class size is 15 students per class. The class offerings are:

- Animal Anatomy
- Anthropology
- Art History
- Artistic Anatomy
- Contemporary Fiction
- Contemporary Plays
- Contemporary Policy
- Creative Writing
- Creative Writing Workshop
- English
- English Composition
- English Literature
- Fiction Writing
- Fiction Writing Workshop
- Indian Cultural Studies
- Indian Herbology
- Indian Psychology
- Linguistics
- Math Skills
- Native American Literature
- Physical Education
- Physical Science
- Playwriting Workshop

Question: Among the increases requested for IAIA are an 11% increase in personnel compensation; a 31% increase in travel; and a 50% increase in supplies. What is the justification for increases of this magnitude?

Answer: The 11% increase in personnel compensation is justified by the plan to offer a summer session/program. The 31% increase in travel is to offset the increased cost for student transportation, trips regarding accreditation for the school, and for recruitment of new students. Finally, the 50% increase regarding the request for supplies is in proportion to the anticipated increase in the student population. Also, art supplies are more expensive than regular supplies, and even now, there is a need for more supplies.

Question: $50,000 is requested for remodeling. What work will be done with these funds and will further remodeling be required in the future?

Answer: $50,982 has been contracted by the Bureau for required remodeling of dormitories and office space at the College of Santa Fe. These facility modifications were required in order for the College to accommodate the students from the Institute. Unless student enrollment increases there are no plans to request remodeling funds for the immediate future.

Question: The current contract with the College of Santa Fe for space costs is $280,000. The space costs for fiscal year 1983 are estimated at $400,000. Is more space being leased, and, if so, why?

Answer: Dormitory space is anticipated to increase by 60 spaces at $900 per space, the increased overhead cost rate includes administrative and janitorial services, the cost for use of common area (e.g., the gym and library), and costs for security and utilities.

Question: Who is responsible for negotiating the lease with the College of Santa Fe?

Answer: The person responsible for negotiating the lease is the contracting officer of the Albuquerque Area Office at the request of the IAIA President and with his specifications.

Question: Has the General Services Administration reviewed these figures?

Answer: The General Services Administration (GSA) in Fort Worth, Texas was contacted by the contracting officer and a space request will be sent to them. GSA will then respond to the contracting officer.

Question: Has the Bureau negotiated a multi-year lease with the College of Santa Fe for space costs?

Answer: Yes. The new contract will be a 2 year lease with the College of Santa Fe and negotiations should be completed in 1 1/2 months. The current contract expires at the end of July, 1982.

Tribally Controlled Community Colleges

Question: 5 million, 706 thousand dollars ($5,706,000) is requested for grants to Tribally Controlled Community Colleges. The legislative history of the authorizing act shows that these grant funds were to support post secondary educational opportunities for Indians. It appears, however, that we are really supporting a very expensive high school equivalency program. The Inspector General's audit of the Oglala Sioux Community College shows that over a 10-period only 116 degrees were conferred. In the school year ending May, 1980, only 17 students were graduated from the two-year program while the Bureau was providing grant assistance based on more than 300 full-time equivalent students. That same year, 106 persons received GED certificates. Can we assume from this example that only 10-15% of the students enrolled in these colleges are actually enrolled in a two-year degree granting program?

Answer: No the Oglala Sioux Community College provides a community educational program for the Oglala Sioux people. One of these programs provided by Oglala Sioux Community College is the GED program under a Public Law 93-638 contract using the Bureau's Adult Education funds. This particular program is successful as demonstrated by the data on number of completions. The GED program is a worthwhile program designed to raise the educational level of the Oglala Sioux people. The GED program is not funded by Public Law 95-471 and furthermore the students enrolled in the GED program are not counted for calculations in determining Public Law 95-471 funding.

Question: What is the rationale for the Department's counting those taking GED courses as students in a program of post-secondary education?

Answer: We do not count students in GED courses to determine funding under Public Law 95-471. Therefore, such students are not counted as students in a program of post-secondary education.

Question: GED certificates are also awarded through the Bureau's adult education program. The average cost per student for the adult education program is $231 while it is proposed that we pay $2,475 for each GED enrollee in the community college program. What is the justification for such a ten-fold difference in support for a GED program?

Answer: The GED programs are part of the Bureau's adult education program and not part of Public Law 95-471. Some tribes that have tribal colleges have consolidated their education programs in a central delivery system housed in their tribal college. The GED programs funded through the Bureau's adult education program and the tribally controlled community colleges under Public Law 95-471 are mutually exclusive of each other in terms of funding and counting of the students. They are two separate programs even though they at times may be operated by the same educational entity.

D-Q University

Question: Auditors from the Department of Education found only 39 students enrolled in D-Q University. The justification found that in the current fiscal year, the Bureau made payments to D-Q based on 119 students and shows a projected enrollment of 140 students for fiscal year 1983. What actual payments have been made to D-Q University during this fiscal year?

Answer: We have provided D-Q University with $251,702 based on a FTE of 119 as of the Fall term of this academic year. We based our action for the distribution of the amount to D-Q University on their Fall report signed by the President of D-Q University.

Question: Of the 39 students, several were administrators or teachers at the school. The report cites the chancellor as teaching an independent study course to the board chairman who in turn teaches the chancellor and several trustees. The Dean of Students also teaches the chancellor. The controller teaches six other D-Q staff members and the registrar teaches the assistant registrar.

One faculty member was being paid for maintenance duties during the time he was supposed to be teaching. In 9 of 12 cases, students were listed as working to earn Work-Study funds when they were supposed to be in class.

Question: What action is the Bureau planning to take in light of the abuses cited in the report?

Answer: The procedures that we use to distribute funds under Public Law 95-471 are based on the administrative regulations of the Act. All FTE reported by all the tribal colleges will be verified before the final payment is made to each college. If an overpayment is discovered, proper procedures will be followed to assure that reimbursement is obtained for the Government.

Grants-In-Aid

Question: The Washington Post article on D-Q University mentioned a husband and wife who received over $36,000 in education grants. They had been enrolled since 1977 without earning a two-year degree. In making scholarship grants does the Bureau cease funding applicants after they have had a reasonable period in which to earn a degree?

Answer: Yes. Bureau Scholarship Officers are to review a student's transcript after two years of funding to evaluate the student's progress and to determine if the student is making a sincere effort to complete his educational goals. Guidelines in the Bureau Manual have been revised to limit eligibility for Bureau grants to a maximum of five academic years to complete an undergraduate degree (four year program).

Reauthorization of Tribally Controlled Community Colleges Act

Question: The Tribally Controlled Community Colleges Act is due for reauthorization. The House committee is apparently considering legislation which would not only raise the payment per student, but which would also change the way in which students are counted. Rather than counting Full Time Equivalent students, every person who enrolled at the community colleges would be counted for the basis of the federal grant -- whether or not they ever attended a class. Are you familiar with this proposal and, if so, has the Department taken a position on the legislation as advanced by the House?

Answer: The Administration has opposed the enactment of the draft bill before the Subcommittee on Education and Labor on May 4, 1982. However, the Administration agreed with the Subcommittee that the tribally controlled community colleges are an important resource to the Indian tribes of this nation.

Question: Prior to enactment of the reauthorizing legislation, it might be worthwhile to conduct audits of all of the colleges which have been receiving assistance under P.L. 95-471 to determine the uses of the funds which have been provided to date. Is any such audit planned?

Answer: All the tribally controlled community colleges were to be audited this year by the Office of Inspector General. Three tribal colleges were audited. However, a determination was made by the Office of Inspector General to discontinue their audits. The main reason for discontinuing the audits was that there were no indications the audits would yield any substantive recommendations.

Question: If the reauthorization is passed, would the Bureau promulgate regulations which would continue to count those enrolled in a GED program rather than a post secondary program as students for the purposes of grants to the colleges?

Answer: We do not count students enrolled in GED programs now, and we do not anticipate that the reauthorized version of Public Law 95-471 will allow us to count these students.

QUESTIONS SUBMITTED BY SENATOR HARRISON SCHMITT

Question: What is the current status of the Alamo School on the construction priority list?

Answer: The Alamo Navajo Community School is number eight on the FY 1983 priority list.

Question: What, if any, change has been made to that standing, and what are the reasons for the change?

Answer: Alamo was ranked number five on the FY 1982 priority list. The change came about because new applications were received from schools with a greater number of unhoused pupils than Alamo.

Question: What factors in your construction criteria favor construction of the school at Alamo, and what factors reduce their standing?

Answer: Factors in the BIA construction criteria that favor construction at Alamo are:

1. The existing metal classroom units are considered temporary because they are being rented rather than purchased.
2. Children at Alamo are more than one hours' bus ride from the Magdalena public school.

Factors in the BIA construction criteria that reduce the standing are:

1. A class size of 20 pupils could be housed in the kindergarten buildings at Alamo.
2. If the Bureau or the Tribe purchased the metal units now rented for school purposes more of the enrollment would be considered adequately housed, thus reducing their ranking.

Question: When will construction funding be requested for the Alamo School?

Answer: The new facility is now being designed. If the Bureau requests funding for new school construction in its FY 1984 or FY 1985 budget requests, Alamo will be included.

Question: What is the status of design of the Alamo School facility? What is the estimated cost? Please provide available details on the design and cost estimate.

Answer: A contract was let the week of May 3, 1982 between the Alamo School Board and the Bureau of Indian Affairs under the provisions of P.L. 93-638 for design of the school. The amount of the contract is $421,170.

The school is to be designed for 275 students in grades Kindergarten through 8 and 125 students in grades 9 through 12, for a total of 400 students.

The total gross area of the school is to be 54,197 square feet, with usage as charted below:

FUNCTION	SQUARE FEET
Elementary School	11,700
High School	11,040
Support:	
Library Media Center	2,000
Gymnasium	13,250
Kitchen and Dining	2,500
Administration	1,200
Circulation	12,507
TOTAL	54,197

In addition, 20 quarters buildings are to be designed, consisting of 5, 3-bedroom quarters, 5, 2-bedroom quarters, and 10, 1-bedroom quarters.

Finally, because of the isolation of the school, a bus repair and maintenance facility of 3,500 square feet is to be designed.

The estimated cost of the facility is $10,755,000 distributed as follows:

Design	$ 580,000
Construction	8,325,000
Supervision & Contingency	1,250,000
Equipment	600,000
TOTAL COST ESTIMATE	$10,755,000

Question: Congress appropriated $3.4 million in Fiscal Year 1982 to operate the Southwestern Indian Polytechnic Institute through September 1982. You have announced plans to close the Institute on June 15, 1982 and have indicated that you lack funds to operate the facility beyond that date. Would you please explain this?

Answer: The amount originally requested for SIPI in FY 1982 was $2,539,000 for Education. This amount was reduced during the appropriation process to $2,206,000. The total annual budget for Fiscal Year 1982 including Facilities Management is $3,078,000 for the Southwestern Indian Polytechnic Institute.

Education	$2,206,000
Facilities Management	872,000
Total Budget	$3,078,000

The estimated costs for personnel services only is $1,950,389 up to June 15. This amount does not include facilities personnel since SIPI will remain open for other uses through the fiscal year.

Other costs for food, transportation, supplies and materials, and severence pay would expend the total education amount budgeted for SIPI.

Question: Please provide for the record a detailed accounting by object classification of how the funds for the Institute were utilized in Fiscal Year 1981. Also provide for the record an accounting of how you arrived at your funding requirement for Fiscal year 1982, and how the funds have been utilized to date (by object classification).

Answer: Provided in the following table are the Fiscal Year 1981 and Fiscal Year 1982 through 3/31/82 obligations data by object classification for the Southwestern Indian Polytechnic Institute.

	Fiscal Year 1981 Period Ending 9/30/81	Fiscal Year 1982 Period Ending 3/31/82
Personnel Services and Benefits (Object Class 11)	$2,073,822	$1,063,242
Travel and Tranportation of Persons (Object Class 21)	17,890	23,017
Contracts (Object Class 25)	834,910	484,077
Other Object Classes*	471,792	310,225
Total Obligation by Object Class	$3,398,414	$1,880,561

* "Other Object Classes" consists of obligations for transportation of things (Object Class 22); rent, communications, and utilities (Object Class 23); supplies and materials (Object Class 26); and equipment (Object Class 31).

The funding requirement for FY 1982 was based on the FY 1981 allocation.

Question: Further, please provide for the record a detailed breakout of what the funding requirement would be for Fiscal Year 1983 assuming the school is operated during that year.

Answer: The detailed breakout of Education funding is as follows:

Salaries	$1,976,000
Food and Other Food Service Costs	360,000
Travel and Transportation	14,000
Supplies & Other Program Costs	78,000
TOTAL	$2,428,000

Education as a "Trust" Responsibility

Question: Does the Administration include education as a Federal trust responsibility? What is the Federal role in the education of Native Americans? What are the Federal government's trust responsibilities?

Answer: We view the trust responsibility of the United States to tribes and individual Indians as pertaining only to their property. The responsibility the United States has for Indian education finds its roots in the political relationship we have as a Nation with the Indian tribes, the government-to-government relationship. It is this political relationship that gives rise to the Federal Government's undertaking to assist Indian tribes in educating their people. Education is an important governmental function that the Tribes are unable to perform without federal assistance.

A trust must have a corpus, a trustee, and a beneficiary. The trustee is the manager of the property in the trust corpus for the beneficiary. The Federal Government is the trustee for the property of Indian tribes. The obligation of the trustee is to protect and enhance the trust corpus or to manage the property in a beneficial manner.

When this concept is applied to Indian education there is no trust corpus to manage. Surely, Indian students do not form the corpus of the trust. To compare Indian students to mere property interest is to do a disservice. To characterize the funds appropriated to operate the schools and/or the school plants as trust property of the tribes has never been asserted or accepted as describing the status of those assets - - they are property of the United States employed in carrying out a social program.

There is no question that the Federal Government has undertaken to provide education for Indian students. However, this undertaking stems from the political relationship of Indian tribes with the Federal Government. The political or government-to-government relationship gives rise to several social service programs that are critical to the well being of an Indian Tribes; education is one of these programs.

To indicate that education is not a trust responsibility in no way detracts from its importance. The recognition of the sovereign status of Indian tribes by the Federal Government brings with that recognition, obligations to provide services that the tribes cannot provide for themselves.

We view the proper conduct of the Government's trust responsibilities as including those functions and programs which protect and develop land and monetary properties of tribes and individual Indians. This trust relationship has been established and guaranteed under treaties, laws, and executive orders.

Southwestern Indian Polytechnic Institute (SIPI)

Question: What factors were considered in the Department's decision to close the Southwestern Indian Polytechnic Institute (SIPI)?

Answer: We proposed to transfer SIPI to the Albuquerque Vocational Technical Institute (T-VI) because we believed that the present and future students could receive better training and have greater success in obtaining jobs by attending T-VI or other available vocational schools having similar entrance requirements and offering identical or similar courses, at substantial savings to the taxpayers. Other factors considered in our decision were: the nearby availability of training alternatives, the poor placement record of SIPI and the lack of minimum achievement standards for student retention. (Attached is the reprogramming proposal to transfer the responsibility to operating SIPI to T-VI.)

Bureau sponsored alternatives are the Institute of American Indian Arts in Santa Fe, New Mexico; Haskell Indian Junior College in Lawrence, Kansas; the 18 Tribally Controlled Community Colleges; and the Adult Vocational Training program.

JUN 15 1982

Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter further responds to the requests and concerns of Congress about the Southwestern Indian Polytechnic Institute (SIPI). We are proposing a reprogramming which will keep SIPI open and provide a much wider range of educational opportunities for Indian students through a contractual arrangement with the Albuquerque Technical Vocational Institute (T-VI). This also responds to the directives of the Federal District Court (District of Columbia) for continuation of SIPI.

We want to share with you the discussions we have had for improving the education of present and prospective SIPI students through cooperative efforts with T-VI. We are pleased with the commitments made by the President of T-VI on behalf of the Institute through their continued involvement in enhancing the education of and ensuring the equal educational opportunities for Indian students. Before we go into the specifics of the concepts on which we have agreed, we believe you should be aware of the wide range of community and regional support which exists for this plan to keep SIPI open. We have had conversations with Indian leadership in New Mexico. They support this concept. We contacted this leadership because their members are the most heavily represented among SIPI's current student body. Further, we have discussed this concept with the New Mexico Congressional delegation, and they support it.

The basic concepts to which we agree include:

- The SIPI campus would be used by the Governing Board of T-VI for as long as the Board operates it as a post-secondary school for the benefit of, but not limited to, Indian students. The Assistant Secretary of Indian Affairs or his designee would become an ex-officio member of the board.

- T-VI would offer no less than 35 different occupational training programs compared to SIPI's current 10 programs.

- T-VI would assume responsibility for the Operation and Maintenance (O&M) of the facility, with the exception of the first year of operation, during which the Bureau of Indian Affairs (BIA) will provide approximately $750,000 currently included in the President's FY 1983 budget. Any cost above this amount in FY 1983 and all O&M costs for future years would be the responsibility of the Board of T-VI.

- During the first year, non-resident tuition charges would be waived for out-of-state Indian students. After the first year, prevailing charges (currently $1,500 per year per student) would apply. We will address future tuition needs in future budget years.

- T-VI would operate and maintain residence halls and a food service program on a non-profit basis, financed by room and board fees charged resident students. Indian students will have first priority in obtaining housing in the existing residence halls. BIA proposes to meet these costs. The additional funding required for these costs in FY 1983 will be reflected in revised BIA Budget Justifications which will describe our new proposal to keep SIPI open.

- T-VI will maintain a remedial basic skills program for Indian students. This remedial program will further enhance the equal educational opportunities of the Indian students.

- T-VI also will assure that each continuing student who desires to return to SIPI in September 1982 is placed in an educational program that meets the student's needs and abilities.
- Except for the position of resident administrator, all jobs for the school year beginning September 1982, would be filled according to T-VI policies and pay plans. Employment will be according to T-VI's non-discrimination and equal employment policies. A reprogramming proposal for personal services and related costs will be required. It will be necessary to redirect over $348,000 of FY 1982 funds since it is intended that we will be able to act by September 1, 1982, instead of on June 15, 1982 as contemplated in my letter of May 19. The additional funding required for these personnel actions in FY 1983 will be reflected in revised BIA Budget Justifications which will describe our new proposal to keep SIPI open.
- T-VI would operate the SIPI campus under contract for a three year period which would then lead to a possible conveyance of title. Of course, any contract or any conveyance, would specify that if T-VI ceases to provide for education of Indian students, as well as appropriate management of the campus, title to the property and facilities would revert to the United States.

We believe that this arrangement with T-VI will provide a dynamic multi-cultural setting which will guarantee the equal educational opportunities for these adult Indian students. It is important for them to have opportunities to develop the ability to study with, engage in discussions and exchange views with students from other cultural backgrounds. All these experiences are necessary to successfully perform in the workplace. Opportunities of this nature have been limited at SIPI. To separate Indian adults from others with whom they will be meeting and working in the mainstream of the job market may generate an undeserved feeling of inferiority in the work world. They must learn through experience that they can compete as well as or better than any person in this Nation. This philosophy has been impressed upon me, not only by my Indian advisors, but also by the mandates of societal change over the past 30 years.

Without doubt, SIPI's physical plant is equal, if not superior, to many other vocational schools. However, that has not guaranteed that SIPI students have been afforded a fully equal vocational education.

T-VI's training program, besides offering the experience of cultural diversity found in the workplace reflects sensitivity to the needs of its 300 currently enrolled Indian students who wish to maintain a cultural identity. An Indian counselor heads up a program tailored to help Indian students deal with academic or social adjustment problems, while a social club is available for those students desiring to participate.

Students must have the confidence that hard work in meeting their school's standards will lead to placement in jobs for which they have been promised that they qualify. T-VI has been highly successful in this regard, due to its broad curriculum and emphasis on placement as a criterion for course selection.

Although operating the Institute under a contractual arrangement will not cause us to reallocate funds from one budget activity to another or deviate from any finer level of detail displayed in Committee reports, we will use funds in ways which differ from the descriptions contained in the Bureau of Indian Affairs' FY 1982 Budget Justifications. Our present plans would mainly affect those funds directly related to the payment of personnel. Some of the funds originally programmed for staff salaries will instead be used for lump sum leave, severance payments, and dormitory costs. The following table depicts the proposed use of personal services funds for SIPI.

Personal Services and Related Costs	SIPI
FY 1982 Personal Services As Budgeted	
Salaries	$2,199,154
FY 1982 Current Estimate	
Salaries - August 31	$1,706,172
Lump Sum	149,867
Severance	98,664
Dormitory (Room and Board)	100,000
TOTAL	$2,054,703
Net Change	$ - 144,451

In addition, we will be allocating funds to provide necessary O&M costs through September 30, 1982. We have been able to keep the estimated closure-related costs to a minimum in fiscal year 1982 because some employees are eligible for retirement and are therefore not entitled to severance payments, and some portion of the severance payments will extend into fiscal year 1983 depending on the tenure of the employees involved.

I am hopeful that we will be able to implement our proposal by September 1. I am confident that working with T-VI, we can better meet the educational needs of Indian students. We will work constructively with the Congress in order to make these improvements over the next several months. In addition, because of the great public concern raised with respect to our budget proposals on SIPI and several other Interior facilities, I am willing to discuss our respective viewpoints within the forum of a public hearing. I am convinced that what we are proposing is in the public interest.

This is being transmitted to you in accordance with the arrangement and understanding this Department has with the Senate and House Committees on Appropriations with regard to the reprogramming of funds. The Office of Management and Budget has no objection to the submission of this proposal. A similar letter is being sent to the Honorable Sidney R. Yates, Chairman, Subcommittee on Interior and Related Agencies Appropriations, House of Representatives.

Sincerely,

Jim Watt

SECRETARY

Question: Will you provide the committee with the following information: The per student cost estimate of full-time-equivalent students at SIPI for 1978 through 1982 (instructional costs and plant facility costs inclusively)? The same cost estimate of full-time-equivalent Indian boarding students at Haskell Indian Junior College (HIJC) and the Institute of American Indian Arts (IAIA) for 1978 through 1982 (instructional costs and plant facility costs)?

Answer: The following table will provide the requested information:

FISCAL YEAR	SCHOOL	INSTRUCTION COST ($000)	FACILITIES COST ($000)	TOTAL FUNDS AVAIL. ($000)	FTE	AVERAGE COST PER FTE
1978	SIPI	2,922.6	865.4	3,788.0	354	$ 10,000
	HIJC	5,225.4	1,365.4	6,590.8	831	7,931
	IAIA	1,916.0	573.4	2,489.4	198	12,573
1979	SIPI	2,821.6	875.4	3,697.0	370	$ 9,992
	HIJC	5,155.6	1,384.0	6,539.6	790	8,278
	IAIA	1,709.3	546.0	2,255.3	155	14,550
1980	SIPI	2,479.8	841.1	3,320.9	375	8,856
	HIJC	4,601.0	1,324.5	5,925.5	780	7,597
	IAIA	1,480.0	678.2	2,158.2	150	14,387
1981	SIPI	2,428.0	976.6	3,404.6	400	8,511
	HIJC	4,608.9	1,595.2	6,204.1	1,000	6,204
	IAIA	1,815.5	729.0	2,544.5	150	16,963
1982*	SIPI	2,206.0	872.0*	3,078.0	500	6,156**
	HIJC	4,447.0	1,485.0	5,932.0	1,000	5,932
	IAIA	1,295.0	143.0	1,438.0	150	9,587

*Estimates for 1982 based on allocations; prior years are actual obligations.

**Additional facilities management funds have recently been made available to SIPI to provide for the estimated full costs expected to be incurred in 1982.

Question: What is the average cost per student nationally at equivalent non-Indian vocational/technical schools (instructional costs and plant facility costs)?

Answer: Nationally the average per student cost typically runs up to $4,000 per year according to the National Institute of Education.

Question: Provide the attrition rate at SIPI for 1978 through 1982, and comparable figures for HIJC, IAIA, and tribally-controlled community colleges?

Answer: The following table provides the information on attrition rates (all figures are current as of May 7, 1982):

FISCAL YEAR	AVERAGE ATTRITION RATES BY SCHOOL OR CATEGORY (%)				
	SIPI	HIJC	IAIA	TVI*	All TCCC
1978	30.0	23.0	30.0	19.9	(These are not available for all TCCC's)
1979	30.0	20.7	30.0	20.3	
1980	30.0	14.9	30.0	18.9	
1981	30.0	19.0	30.0	16.8	
1982	30.0	20.0	30.0	on-going	

*Figures for TVI are only for students in the occupational/vocational programs based on computations after three trimesters or one calendar year.

Question: Will you please provide the Committee with a detailed review of which of the following instructional programs offered at SIPI are offered as certificate programs at HIJC, IAIA, Albuquerque Technical-Vocational Institute (TVI), or the tribally-controlled community colleges, and which programs are not offered at those schools: a) Marketing and Distribution, b) Accounting and Data Processing, c) Civil Engineering Technology, d) Drafting Technology, e) Electronics Technology (Xerox mechanical technician), f) Graphic Arts and Off-Set Technology, g) Optical Technology, h) Telecommunications, and i) Federal Aviation Administration Training.

Answer: The following table provides the information requested:

	AVAILABILITY			
COURSE OFFERINGS	HIJC	IAIA	TVI	TCCC's*
Marketing & Distribution	No	No	Yes	Yes
Accounting & Data Processing	Yes	No	Yes	Yes
Civil Engineering Technology	Yes	No	Yes	Yes
Drafting Technology	Yes	No	Yes	Yes
Electronics Technology	Yes	No	Yes	Yes
Graphic Arts & Off-set Technology	Yes	No	Yes	1 College
Optical Technology	No	No	Yes**	No
Telecommunications	No	No	Yes	No
Federal Aviation Admin. Training***	No	No	No	No

*Those course offerings at TCCC's are not offered at all 18 colleges but are available upon demand by tribal members. Most course offerings are for Associate of Arts degree programs and not certificate programs.

**Laser Optics course related to electronics.

***Not available at SIPI in the 1981-82 school year.

Question: Which of the schools listed have received full North Central Association of Colleges and Schools (NCAC) accreditation?

Answer: The NCAC fully accredited schools are TVI, HIJC, IAIA and SIPI. One of the TCCC's is fully accredited: Navajo Community College (1976). In addition, D-Q University is accredited by the Western Association of Schools and Colleges.

Question: What are the placement rates for 1978 through 1982 of SIPI graduates in the instructional programs listed above? What are the placement rates for graduates in equivalent certificate programs at the schools listed?

Answer: The current placement rate for SIPI is 68% and at TVI it is 85%. IAIA and HIJC do not have a placement program.

Question: What is the enrollment capacity at SIPI? What are the enrollment figures for 1978 through 1982? What is the instructor/student ratio for those years? How have reduced employment ceilings, reduced funding, and the hiring freeze affected the instructor/student ratio?

Answer: The current capacity of SIPI is 700 for classroom and 512 for dormitories. The combined effects of employment ceilings, reduced funding and the hiring freeze have held the instructor/student ratio to the FY 1981 level. The following table provides the 1978-1982 comparisons requested:

YEAR	ENROLLMENT (FTE)	INSTRUCTOR/STUDENT RATIO
1978	354	1:15
1979	370	1:15
1980	375	1:15
1981	400	1:15
1982	500	1:15

Question: What is the dormitory capacity at SIPI? What are the dormitory capacities at HIJC, IAIA, and Albuquerque TVI? How many students are in each of those schools' dormitories currently?

Answer: The following table reflects the requested information:

	SIPI	HIJC	IAIA	TVI
Dormitory Capacity	512	700	100	No Dorms
Dormitory Population	462	635	100	N/A

Question: On February 18, 1982, SIPI officials were notified in writing that the Institute was to be closed. Details of the President's Budget for Fiscal Year 1983 presented to Congress on February 8, 1983, indicated the Department's decision to close the Institute. What form of consultation with the affected tribes occurred before the decision was announced?

Answer: BIA has fulfilled whatever statutory obligation it may have had to consult with the Indian people about the proposed closure of SIPI. After announcing the proposed closure and before any irreversible actions were taken BIA held public hearings in eight States at which all interested parties were invited to comment. Fully 80% of the SIPI student body are residents of those eight States and most of the 81 Tribes of which the students are members are located in those States. No State in which a hearing was not held had more than 10 of its residents attending SIPI.

Question: Will enrollment at HIJC increase in order to accommodate displaced students from SIPI? Will funding to HIJC increase? Will the instructor/student ratio be maintained?

Answer: A total of 53 SIPI students have indicated a desire to transfer to Haskell and the remaining 200 slots at Haskell may be taken by displaced SIPI students. The funding for Haskell will not increase as a result of the transfer of SIPI students. To the extent available funding will permit, the instructor/student ratio at Haskell will be maintained at current levels.

Question: What cost to the Federal government is associated with closing SIPI? Please provide an itemization of those costs to the Committee?

Answer: The cost to the Federal Government associated with closing SIPI are:

Lump Sum leave payments	$ 98,894
Severance pay	345,323
	$444,217

Question: What use do you plan for the SIPI buildings and grounds? What was the original cost of construction? What was the cost of equipment? What percent of the original cost of equipment do you expect to recover? What is the replacement cost today of SIPI's structures and equipment? What is the land value?

Answer: The original cost of constructing SIPI was $8,744,000. The replacement cost of the facility is estimated at $19,106,000. The equipment cost was $1,500,000 and has an estimated replacement cost of $3,000,000. The land value for 166.3 acres is estimated to be $5,500,000. SIPI is a sound ultra-modern facility. If the Bureau's use of the SIPI facility as proposed were carried out, the Bureau would enter into a 3 year agreement with the Albuquerque Technical - Vocational Institute (T-VI) to operate a broad range vocational program of not less than 35 course offerings. The SIPI facility would be a branch campus of T-VI with preference in use of the dormitories provided to Indian students at T-VI.

Indian School Equalization Formula Issues

Question: The regulations promulgated under P.L. 95-561 section 1128 specify development of a formula for distribution of administrative overhead costs incurred by tribally-controlled schools contracting BIA education programs. Does the BIA intend in its current revision to P.L. 93-633 regulations to make provision for such a formula for public comment? Please provide to the Committee your rationale in this matter.

Answer: The proposed revisions to P.L. 93-638 regulations make a major change in the method of award and the legal instruments used for such award, to be in compliance with P.L. 95-224 in effecting Federal assistance programs. The revisions further propose to streamline certain administrative procedures in accomplishing tribal goals of Self-Determination and make the Bureau more responsive to tribal needs in the overall process. Overhead costs of operating a Bureau program by a tribal body are presently funded from the Contract Support Fund budget line item, and this funding method is expected to continue.

However, the Bureau is presently reviewing the entire support funding issue in an effort to demonstrate funding needs and to more equitably distribute and support appropriations received. The result of the Bureau's efforts may lead to a formula through which appropriations can both be requested and applied upon receipt.

Question: Does the Fiscal Year 1983 budget request propose to change the existing Indian School Equalization Formula? Will it increase the base from the FY 1982 level by $178.00 per student?

Answer: The FY 1983 budget request does not propose a change in the existing ISEP formula. It does, however, increase the value of the Weighted Student Unit (WSU) from $1,964 to $2,142, an increase of $178 per WSU.

Question: What problems are to be studied in the $884,000 request for a management evaluation under the School Operations Subactivity? Why is this study necessary?

Answer: The problems, incident to the implementation of P.L. 95-561, to be studied are:

1. Personnel Management. Due to the almost exclusive use of "contract" personnel at the school and agency levels, a uniform personnel system must be developed to administer this new category of BIA personnel.

2. Student Count Audit. For eventual decentralization of this activity, a uniform, standardized student count auditing system must be developed and implemented Bureau-wide which can be administered at all area and agency levels.

3. Transportation. The present reporting system does not detail the transportation data to calculate the transportation funding levels, and it is therefore difficult to audit the allotment or to verify discrepancies. The ADP program must be corrected before this function is transferred to the local levels.

4. Program Cost Accounting System. The program cost accounting system has not been fully implemented due to the proposed revision of the financial program planning system.

5. Financial Program Planning (FPP) and Accountability. The FPP coding system is to be revised so that it can be integrated into the BIA FPP system. The present system must be made comparable to the standarized BIA element, component, work order system before it can become operational.

   Reports accompanying previous appropriation bills have mandated that accountability be one of the highest priority considerations in student count and financial administration. Presently, some problems exist as has been pointed out in a recent Departmental audit. These problems must be addressed.

6. Program Cost Accounting. The design of the present FPP system does not permit comprehensive program cost accounting for all programs administered by OIEP as it addresses only the elementary and secondary educational programs and not other educational programs such as JOM, Higher Education, etc.

The study is necessary to insure that administration of school programs meet the requirements of P.L. 95-561 in a manner which will best serve Indian students and will provide the most efficient and effective utilization of Federal funds.

Question: Some contract schools must resort to the leasing of temporary buildings in order to provide educational facilities in lieu of construction of needed facilities. Does Section 106(h) of P.L. stipulate that such lease costs will be provided by the Department in an amount not less than otherwise provided for direct operation of the programs? If so, is the FY 1983 request of $613,000, under the Indian School Equalization Formula, the appropriate budget category from which schools can recover these incurred costs? If not, please specify the mechanism for reimbursement of these costs.

Answer: Costs involved in the leasing of temporary buildings to provide educational facilities in lieu of construction are reimbursable by the Bureau in an amount considered reasonable and up to the limits the Bureau would have paid if it was operating the program directly. Such funds are not a part of the P.L. 95-561 formula funding process. These funds are budgeted under the Facilities Operation and Maintenance account.

General Overhead Reduction

Question: The FY 1983 budget estimate includes a "General Overhead Reduction" of $16 million as a separate item from any of BIA's administrative activities or sub-activities. Why is it separate?

Answer: It is listed separately because at the time the budget was sent to the Congress, no firm decision had been made on how the $16 million would be distributed by program activity. The final distribution has been based on the realignment of the Central and Area Offices.

Question: Is there any reason why Congress should not simply reduce the total appropriation for General Administration by $16 million from the estimated level?

Answer: Yes. The $16 million reduction covers administrative and program management overhead primarily at the Central/Area Office level. It must be applied against all "Operation of Indian Programs" budget activities which support staff "overhead" operations, not just General Administration.

Question: Are there other "overhead" budgets, still incorporated in the various BIA program activities which will be impacted by this "General Overhead Reduction"? If so, where, and how much will they be impacted?

Answer: Yes. Those which will also be impacted are Education, Indian Services, Economic Development and Employment Programs, Natural Resource Development, Facilities Management, and Trust Responsibilities.

Question: Is the Contract Support Fund one such area of impact?

Answer: No. Contract Support Funds are not used for "overhead" operations of the Bureau. This program supports tribal contractor overhead which is not involved in this reduction.

Question: Facility operation and maintenance is classified as an "overhead" cost under many cost classification systems. Is it such an area of impact?

Answer: Yes. It will be impacted at the Central and Area Office levels to the extent funds are used for management or supervision of the program.

Question: The program management line item for the education programs activity has been transferred from that activity to General Administration. This transfer is reflected in the "crosswalk" document in your justification document. However, this document does not show any other comparable transfers of "Program Management" funds from the other program activities of the Bureau. Will any of these Program Management functions be impacted?

Answer: Yes. This is explained above.

Question: If so, by how much?

Answer: The following are the preliminary figures:

Program	Estimate
School Operation: Education Program management (97 FTE) ...	$ 1,700,000
Indian Services (117 FTE)	4,825,000
Trust Programs: Economic Development, Natural Resources, Trust Responsibilities (16 FTE)	4,199,000
General Management & Administration including Exec. Direction (142 FTE)	5,276,000
TOTAL OIP (372 FTE)	$16,000,000

Question: If the "General Overhead Reduction" does apply entirely to General Administration, and not to other budget activities, what is the purpose of having increased this activity by almost 20% (net increase of $11.1 million) prior to the reduction?

Answer: The Reduction does not apply only to General Administration. The changes between the FY 1983 Estimate ($69,102,0000) and the FY 1982 Appropriation ($57,976,000) amounts for General Administration are as follows ($000):

$57,976	FY 1982 Appropriation-to-date
+ 740	Transfer of the Assistant Secretary - Indian Affairs budget from the Office of the Secretary.
+ 2,670	Transfer of Education Program Management base from the Education activity as directed by Congress in FY 1982.
+ 1,500	Transfer from the Department for the Facility Construction, Operation, and Maintenance Program (FACCOM).
+ 700	Transfer of Tribal Administration and Accounting Services (TAAS) from the Indian Services activity (OTAT).
+ 421	Increase in Employee Compensation Payments (fixed cost).
+ 1,505	Pay cost for Federal employees.
$65,512	FY 1983 Base (as indicated in Budget Justifications)
+ 1,198	Increased funding for Executive Direction: +328 Tribe/Agency level +726 Area Office level +144 Central Office level, (See page BIA-142-3 for explanation)
+ 1,628	Increased funding for Administrative Services staff: + 462 Tribe/Agency level +1,166 Area Office level (See page BIA-145 for explanation)
+ 1,087	Intra-Governmental Assessments Cost Increases
+ 487	Funds for ADP Modernization (Telecommunications)
+ 59	Safety Management at Tribe/Agency level.
- 869	Central Office Program Management reduction: -231 Construction Management -339 Road Construction Management -299 Education Program Management (See page BIA 151-3 for explanation)
$69,102	FY 1983 Request

Question: In particular, according to the crosswalk chart in your justification document, the Program Management line item has been made up by combining $2.451 million from School Operations with $1.126 million from the former Program Support Services line item and $4.245 million from the Management and Administration line item (both already a part of the General Administration Activity). However, the FY 1983 base budget for this line item is almost double the amount shown in the FY 1982 appropriation for the same functions. What is the justification for this radical increase in the base, and why is it so different from the base budget increases for all other line items in the justification?

Answer: The Program Management line amount of $7.822 million was arrived at as follows ($000):

$4,075	Construction Management
1,296	Road Construction Management
2,451	Education Program Management

The $1.126 million figure is for Safety Management. This was included under Program Support Services in the FY 1982 format and was transferred to Management and Administration under the 1983 format.

The following crosswalk gives a more detailed breakout by subactivity:

	FY 1982 in FY 1983 Format	FY 1983 in FY 1983 Format	Change
Management & Administration			
Executive Direction & EEO	$10,769	10,769	---
Administration Services	40,756	40,756	---
ADP Services	4,047	4,047	---
Safety Management	---	1,126	+$1,126
Construction Management	4,075	--- 1/	-4,075
Road Construction Management	1,296	--- 1/	-1,296
Subtotal	$60,943	$56,698	-$4,245
Program Support Services			
Safety Management	$1,126	--- 2/	-$1,126
Employee Compensation Payments	4,582	4,582	---
Subtotal	$5,708	$4,582	-$1,126
Program Management			
Construction Management	---	$4,075	+$4,075
Road Construction Management	---	1,296	+ 1,296
Education Program Management	---	2,451 3/	+ 2,451
Subtotal	---	$7,822	+$7,822
TOTALS	$66,651	$69,102	+$2,451

1/Transferred to Program Management.
2/Transferred to Management and Administration.
3/Transferred from School Operations.

The increase of $3,472 between FY 1982 Appropriation and the FY 1983 Request for Program Management was arrived at as follows ($000):

+$2,731	Construction Management
+ 1,619	Road Construction Management
$4,350	FY 1982 Appropriated enacted to date
+2,670	Education Program Management transferred from School Operations
+ 1,500	Transferred from Department for FACCOM
+ 171	Pay cost for Federal employees: +75 Construction +16 Road Construction +80 Education
+$8,691	FY 1983 Base

- 231	Construction Management reduction
- 339	Road Construction Management reduction
- 299	Education Program Management reduction
+$7,822	FY 1983 Request (See page BIA-151-153)

Question: How much of the increase is attributable to OIEP functions, and how much to functions already under Management and Administration?

Answer: That part of the increase is explained as follows:

+$2,451	is attributable to net OIEP fund transfer ($2,750 - $299) for Education Program Management
+ 1,500	under Construction Management is the transfer of FACCOM from the Department
- 479	is the net decrease in Construction and Road Construction Program Management functions which were already under Management and Administration in FY 1982.
+$3,472	Net increase between FY 1982 Appropriation enacted to date and FY 1983 Request.

FY 1983 Employment Reductions

Question: The FY 1983 budget estimate shows a net reduction of 5.2% or 786 full time employee positions under BIA, from the FTE figures in the FY 1982 appropriation to date. Of this number, 318 positions are shown as reductions in force in the Education Program Activity, and another 372 as a "General Overhead Reduction". Has the cost of this RIF been estimated for each budget activity impacted, and is it incorporated in the budget now?

Answer: The cost for the Education Activity related to the proposed school closures and transfers are incorporated in the budget. For Education's share of the General Overhead Reduction which is listed as a separate item, no firm decision has been made on how to distribute the cost by activity pending final decision concerning the realignment of the Central Office and Area Office.

Question: If so, how much of each such activity is RIF cost, and how much is for program?

Answer: The RIF cost for Education Activity is estimated at $5 million which is due to proposed closures and transfers of schools. The cost associated with General Overhead Reduction is for all activities estimated at $11 million which is to reduce overhead costs without affecting direct service levels to Indians.

Question: What will the RIF areas be for various reductions planned?

Answer: The General Overhead Reductions planned will be at the Central and Area Office level. The school closures and transfers will, of course, be at the schools involved.

Question: If the "General Overhead Reduction" RIF is not limited to the general administration activity, what will its budget impact be on BIA's program activities?

Answer: The General Overhead Reduction applies to all "Operation of Indian Programs" budget activities, not just the General Administration activity. We will not know exactly how much each of the OIP activities will be impacted until the final decisions are made concerning the realignment of Central and Area Offices.

Question: If RIF costs have not been estimated by budget activity, does BIA have any average costs per position, for a RIF among its personnel?

Answer: The average cost per position based on the proposed reductions is estimated at $25,000.

Question: If BIA plans to absorb part of the costs of this RIF by attrition, how many positions does it believe can be eliminated in this fashion, and how many will have to be RIF'd in the normal manner?

Answer: We must point out that a reduction-in-force procedure will be followed to eliminate all of the positions involved in the closures, transfers or general reduction.

QUESTIONS SUBMITTED BY SENATOR JAKE GARN

Question: What are the major economic considerations involving the academic program costs, the overall student cost, and the overall facility cost which are suggesting that Intermountain be closed?

Answer: The economic justification for closing the Intermountain School is reflected in the costs of operation and costs of renovation to bring both the academic and residential components up to full operational capacity as follows:

	($ in thousands)
Education Operation funds	4,715.2
Facilities Operation and Maintenance funds	1,376.2
Title funds	308.3
Total funds	6,399.7
Cost per student (ADM 780)	8.2

The estimated cost to renovate plant to meet safety and health standards is $11,400,00.

Intermountain is handicapped by lack of conventional school facilities. The school plant was formerly a World War II military hospital. Despite minor renovations to house grades 9-12, the harsh military character of the facilities is not conducive to the support of educational activities for students living away from home and in need of an intensive residential guidance environment.

Because of the layout of this facility with numerous buildings which have limited use for education programs, it is extremely costly to operate and maintain. The central heating system alone brings the operational costs much above square footage costs for conventional school buildings.

Question: Identify the Bureau schools which are providing programs for students which require residential intensive guidance to which the students from Intermountain could be transferred.

Answer: Appropriated educational alternatives including intensive residential guidance programs, are available to Intermountain students at other Bureau of Indian Affairs off-reservation boarding schools such as Sherman, Chemawa and Riverside. Tribally-contracted schools and public schools are also available. All of these are closer to the student's home communities, in keeping with BIA policy.

Question: How many Indian children between 14 and 16 are currently not enrolled in any academic program?

Answer: There are no available current figures of the total number of Indian children between the ages of 14 and 16 not enrolled in any academic program. The Bureau does not maintain such a census but relies on the Bureau of the Census to collect such statistics.

The most recent available figures are taken from the Census of Population 1970, Subject: Report on American Indians:

Population, Indian children 14 and 16 year of age in the United States:

Males	28,073
Females	27,416
Total	55,489

Number of Indian children 14 asnd 16 years of age enrolled in academic programs:

Males	24,820
Females	23,503
Total	48,323

It might be concluded from these figures that there were 7,166 Indian children between the ages 14 and 16 not enrolled in any academic program in 1970.

Question: What type of qualitative analysis has been done on the academic and guidance programs at Intermountain, and what deficiencies have been found within these programs which dictate closure of the school as a correct response?

Answer: The program of studies at Intermountain include general education; vocational education, residential guidance, solo parent program, programs for the academically deficient funded through Title I, and the handicapped through P.L. 94-142. The U.S. Department of Education Oral Language program is provided by a special grant from that agency. The Indian Health Service provides a comprehensive health program.

The proposed closure of Intermountain is not due to any programmatic deficiencies but rather is based on its high operating costs, its educationally inadequate physical facilities and the increasing excess capacity in the Bureau's total boarding school system.

Question: Has a qualitative analysis of the programs into which the students at Intermountain will be transferred once the school closes been evaluated to determine an increase in overall benefit to the students?

Answer: A qualitative analysis of Bureau operated or funded programs into which the students at Intermountain could be transferred reflects appropriate alternatives and overall benefits to the students. These alternatives included other Bureau of Indian Affairs boarding schools such as Sherman, Chemawa and Riverside and at tribally contracted schools, all closer to the student's home communities in keeping with BIA policy. No analysis has been possible of those public schools which some Intermountain students, represent 102 tribes from all over the United States including urban areas, may choose to attend.

Careful planning of student placement will be implemented by the BIA. This will include parental notification and counseling as to other available educational alternatives, including foster home placement if necessary. Priority will be given Intermountain students at other off-reservation boarding schools, in accordance with the expressed preference of parents and guardians. Suitable placement could be made at contract and parochial schools, if the parents so choose. Personnel actions will be developed to provide maximum assistance to displaced personnel.

The BIA anticipates that school closures such as Intermountain would encourage tribal leaders to develop additional local educational alternatives. Tribal schools as they increase in number and develop quality programs, will, in time, provide more viable alternatives and lessen the need for boarding schools.

Question: What is the policy and long-term goal of the Department of the Interior with regards to educational services for the Indian people?

Answer: The BIA has a continuing role as a provider of direct services and facilities where no other educational services exist and as an advocate for Indian students attending public schools. The BIA will not abdicate the Federal responsibility for assuring an education for Indian children. A long history of Federal law sets out our role in Indian education and we do not intend to abridge those laws or diminish that role.

SUBCOMMITTEE RECESS

Senator SCHMITT. Thank you, Mr. Secretary, and your colleagues.

The subcommittee will stand in recess until 9 a.m., April 29, at which time we will review the fiscal 1983 budget estimate for the Department of Energy's fossil energy research and development and construction program.

Mr. SMITH. Thank you, Senator.

[Whereupon, at 3:30 p.m., Wednesday, April 28, the subcommittee was recessed, to reconvene at 9 a.m., Thursday, April 29.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, APRIL 29, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Andrews, Huddleston, and Burdick.

DEPARTMENT OF ENERGY

STATEMENT OF JAN W. MARES, ASSISTANT SECRETARY FOR FOSSIL ENERGY

ACCOMPANIED BY:
- DONALD L. BAUER, ACTING ASSISTANT SECRETARY FOR FOSSIL ENERGY
- JEREMIAH WALSH

BUDGET REQUEST

Senator McCLURE. This is the time scheduled to review the fiscal year 1983 budget request of the Department of Energy's fossil energy research and development and fossil energy construction. The Department has proposed to merge these two accounts and, funded together, has requested $106,900,000. This represents a 74-percent reduction from the fiscal year 1982 appropriation for both accounts of $416,872.

Testifying on behalf of the Department of Energy this morning will be Mr. Jan W. Mares, Assistant Secretary for Fossil Energy. Mr. Mares, this is your first appearance before this committee, and we wish to welcome you here. Please introduce your associates who will be sitting at the table with you, and proceed to highlight your statement. Or if you prefer, we can go directly to questions, in view of our time constraints this morning.

Mr. MARES. Thank you, Mr. Chairman. I will cut my shortened statement to about a third, and it will go sequentially, because I think it sets the stage for some of the critical questions that you and members of the committee have.

With me at the table at my right is my Deputy, Mr. Donald Bauer, and at my left Jerry Walsh, who are here to provide additional details if there are any questions.

Rather than going over the budget on a line-by-line basis, I will address the general principles.

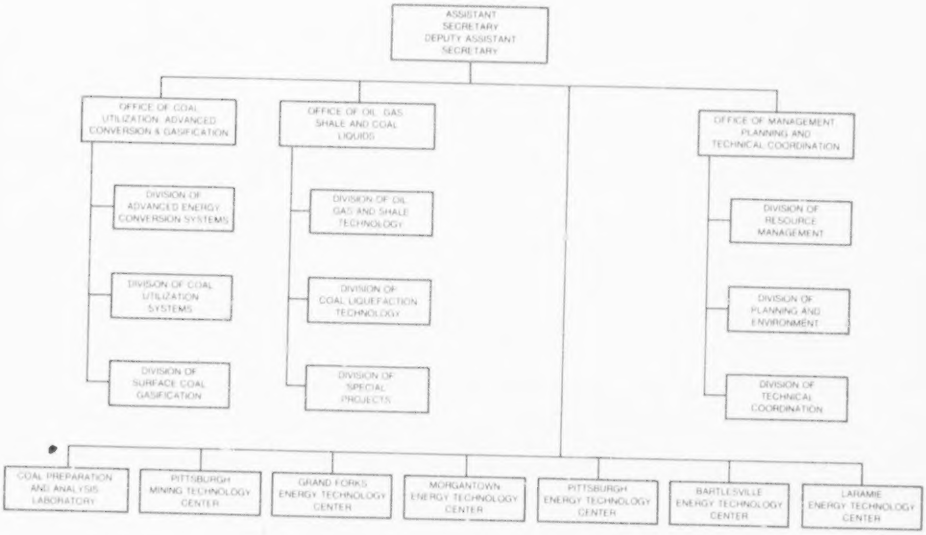
REORGANIZATION AND MANPOWER

One of these is that I have submitted a revised headquarters organization several weeks ago. I am pleased to report to the committee that this new organization has been approved by the Secretary and after a review by the employees' union, we will be putting it into place.

With the chairman's permission, I would like to provide the committee copies of the revised organization chart approved by the Secretary.

[The information follows:]

OFFICE OF FOSSIL ENERGY


ASSISTANT SECRETARY DEPUTY ASSISTANT SECRETARY
OFFICE OF COAL UTILIZATION ADVANCED CONVERSION & GASIFICATION
DIVISION OF ADVANCED ENERGY CONVERSION SYSTEMS
DIVISON OF COAL UTILIZATION SYSTEMS
DIVISION OF SURFACE COAL GASIFICATION
OFFICE OF OIL GAS SHALE AND COAL LIQUIDS
DIVISION OF OIL GAS AND SHALE TECHNOLOGY
DIVISION OF COAL LIQUEFACTION TECHNOLOGY
DIVISION OF SPECIAL PROJECTS
OFFICE OF MANAGEMENT PLANNING AND TECHNICAL COORDINATION
DIVISION OF RESOURCE MANAGEMENT
DIVISION OF PLANNING AND ENVIRONMENT
DIVISION OF TECHNICAL COORDINATION
COAL PREPARATION AND ANALYSIS LABORATORY
PITTSBURGH MINING TECHNOLOGY CENTER
GRAND FORKS ENERGY TECHNOLOGY CENTER
MORGANTOWN ENERGY TECHNOLOGY CENTER
PITTSBURGH ENERGY TECHNOLOGY CENTER
BARTLESVILLE ENERGY TECHNOLOGY CENTER
LARAMIE ENERGY TECHNOLOGY CENTER

SUMMARY OF THE CHART

Mr. MARES. As you can see, all of the fossil energy program elements are placed into two primary reporting chains as shown by the two offices on the left of the chart rather than the previous three. Also, all of the technical coordination and communications responsibilities, which were previously separate, are now combined with policy and administrative functions in a central management office, shown on the right of the chart.

We are on page 2 of the shortened statement.

In my judgment, this new reporting structure will streamline the overall management of fossil energy activities. This is one part of our organizational policy. The other is to continue the process of decentralizing day-to-day oversight of fossil energy programs away from Washington and into our field structure. We have also established a clear definition of the management roles of headquarters and the field.

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In Washington, our primary function is to insure that the Department's overall policy objectives are translated into specific guidelines for our individual programs and projects. The field, on the other hand, will manage the day-to-day implementation of most of our programs and projects. We've made good progress to date in decentralizing project management, and we hope to complete the process as we move toward fiscal year 1983.

These two actions—a streamlined headquarters management structure and a clear delineation of the respective roles of the field and headquarters—will, in my view, permit an efficiently run fossil energy program without the large personnel requirement of past years.

Mr. Chairman, I will say at this point that no decision involving a reduction in personnel is an easy one. Nearly all of the Federal Government is now confronting the same hard realities. That is, a clear direction by this administration to reduce the size of the Federal Government. We recognize that uncertainties and disruptions in personal lives are associated with many of these actions. But the realities of continuing both the funding and staffing practices of the recent past are equally harsh. Action in this matter simply cannot continue to be postponed.

FEDERAL ROLE IN R&D

Now I'm going to skip to page 5 in the shortened statement, and this deals with the role of the Federal Government in funding R&D.

It is difficult to apply a rigid definition of the proper Federal role that holds true for all technologies. Yet, one general conclusion can be drawn. In almost all areas, Government research to date has proven most effective when it concentrated on the early stages of development, on basic and applied research, and in some cases on proof of concept.

The $106.9 million in budget authority requested for the fiscal year 1983 fossil energy program reflects the fact that research of this nature is inherently less expensive than constructing large-scale pilot and demonstration plants.

It also recognizes that the need to restrain Federal spending is even greater this year and, in light of overriding economic concerns, not all promising energy concepts can be pursued.

I'm going to skip to page 7 of the shortened version.

We are not reluctant to admit that this budget was forged from a series of hard choices, including those involving personnel that I mentioned earlier. We have had to balance program objectives against overall national priorities.

Likewise, we have had to balance our in-house research against the need to continue an active cooperative program with industry and universities. In fiscal year 1982, approximately 15 percent of the fossil energy funding went to our own energy technology centers, while another 12 percent was spent at the national labs. Industry and universities received nearly 67 percent.

In 1983, the percentage of funding going to the energy technology centers more than doubles—to about 30 percent. National laboratory funding remains about the same. But the proportion of industry and university funding drops to about 45 percent. In future years, I would hope to restore the balance of funding to non-Federal research organizations to the 65 to 75 percent mark, while retaining our own in-house research at around 25 percent.

In many ways, Mr. Chairman, we are still in a transitional period where fundamental changes continue to be made in the scope of our program. In some cases we have proposed to eliminate some activities entirely rather than disperse small amounts of funding across too broad a technological spectrum.

The fact that a technology is not being supported does not mean that past work in it was not useful. Instead, it means that when weighed against other priorities and when we considered the other economic incentives now in place, our judgment was that other technical areas were more appropriate recipients of Federal dollars.

Therefore, we ask this committee to judge the funding levels we have proposed in the context of a broader strategy involving less Government spending, less Government regulation, and less taxation. We believe that, coupled with these other incentives, this budget will lead to a sound knowledge base from which the fossil energy industry can select the technological options it deems most appropriate.

I'd be pleased to try to answer your questions, Mr. Chairman.

Senator McClure. Thank you very much.

There isn't anything in which I would rather spend a great deal of time on than going through the fossil energy R&D program, because it both illustrates our dilemmas, difficulties, and choices; it is also a very important program from the standpoint of energy alternatives for the future and also one of the most controversial here on the Hill. So I apologize for the necessity and regret the necessity of shortening this morning on my part because of what is happening on the floor. But I don't control that end of it and I simply must respond to it.

I have a few brief remarks that I will make a part of the record rather than take the time to give them at this time.

Just as with the energy conservation budget, I agree with the administration's general thrust of moving toward sponsoring predominantly long-term, high-risk research in the fossil energy field. For those technologies that are clearly economic in today's market, we can and should let the marketplace—rather than Government—determine their future.

However, it seems to me we are blessed with only a few such clear choices with respect to fossil energy. There are, unfortunately, a great many technologies which are not yet economically acceptable and will thus not be brought into the marketplace in the near future without some form of continued Government support. This is not to say that the technologies aren't promising, but rather that private industry is, generally speaking, not geared financially to provide the up-front funds many research and development efforts must have.

The point is, it seems to me, that Government can and should also have a role in short-term research and development efforts, particularly when those efforts can move a technology into the marketplace 1 or 2 years faster than would normally take place. In the long run, this approach will do much more to reduce our reliance on energy coming from other, potentially unstable parts of the world, and will, in fact, move us farther down the road toward establishing a well-rounded national energy policy.

In summary of those remarks to lay the groundwork for the questions, how do we move these technologies to the marketplace rapidly if, as a matter of fact, we have a sense of urgency about our national energy policy, national energy vulnerability, as I think you and I and the administration share the conviction.

INDUSTRIAL ASSUMPTION OF TERMINATED PROJECTS

Along these lines, Mr. Mares, I know the Deartment has been involved in discussion with the private sector concerning a number of projects which you have proposed to terminate. It is my understanding that most of these discussions are less than promising with respect to industry picking up these projects. Is this, in fact, the case?

Mr. MARES. The ones where we have had the most discussion relate to the projects mentioned in the deferral such as the EDS project. The partners of that project have not yet decided what they are going to do upon the completion of that project as originally planned.

Our proposal is to conclude our participation this summer rather than later this year, as was originally forecast.

Regarding the H-coal project, our view is that we have completed the technical-based work that we have set out to complete with respect to developing the technology of the process. Our responsibility at the conclusion of that agreement is to clear the site. We are negotiating with the participants to determine whether they would like to take over the facility and continue to operate it, instead of our clearing the site we think, and that would be what the partners would want.

Senator McCLURE. I'm not really trying to focus so much upon what you view your role to be but the question of whether or not you really have prospects or not for the private sector taking them over. My understanding is you haven't had much success, and you don't really have any reason to give this committee much encouragement in the idea that the private sector is going to pick them up and move them.

Mr. MARES. I think it's premature to make that judgment, Mr. Chairman. The private sector participants have come to our offices and solicited more funds, and they have testified here in the committees that they need more funds, which is the action that I would expect them to make at this stage of negotiations.

But I don't think that we will know for sure, until there are no more funds, whether they will select and carry on the things that are truly important and that they can handle well.

Senator McCLURE. I understand, then, that you think that even though they say they won't, even though up until now they have not done anything, you expect perhaps, when they see there isn't any Federal money, they then might change their minds and come forward and do something.

Mr. MARES. I think that over the last 12 months, the private sector has been increasing their focus on these efforts and, in several cases, has been increasing their relative participation in some of the projects that we're doing, although I include GRI in this, I am not limiting it to a specific industry.

DEFERRAL AND REPROGRAMING

Senator McCLURE. I understand that.

Earlier this year you had proposed to defer funds for these projects totaling $44,883,000. Your intention at that time was to use the deferred funds to begin termination actions. That deferral, of course, is now nearly dead, as the House Appropriations Committee on Monday approved House Resolution 411 disapproving the deferral. That resolution is scheduled to be on the floor of the House today, and I know of no substantial effort to overturn the committee's action.

If that is the case and assuming the resolution is approved, am I correct that you will proceed with spending on these projects as was determined in the 1982 Interior Appropriations Act?

Mr. MARES. If it is overturned we will spend at the rate as prescribed by the act. Our understanding is that the language in the report behind the resolution invites a request for reprograming regarding about half of these deferrals. We intend to submit such a reprograming statement as soon as possible.

But until the reprograming request has been submitted and has been congressionally reviewed, we would not take precipitous action.

Senator McCLURE. I would make just one point with respect to that action. I would understand that your intention is to follow the invitation of the House committee, and until action is taken on the deferral request and the final action is taken on the reprograming request, neither you nor I nor any of us can be certain what the outcome will be.

Mr. MARES. It's for sure that we can't do anything until the deferral request has been finally acted upon by one House or the other.

Senator McCLURE. When you say you can't do anything, does that infer——

Mr. MARES. Well, it would be inappropriate to take termination action.

Senator McCLURE. Does that imply, then, that you will continue to spend on the basis of the current program until the change in program has been finally approved?

Mr. MARES. Yes, sir.

CONTROL TECHNOLOGY AND COAL PREPARATION

Senator McCLURE. Thank you.

Under control technology and coal preparation, you are proposing a decrease of some $16,500,000 from the fiscal year 1982 level of slightly over $25 million. Some claim this reduction in funding will result, for all intents and purposes, in the elimination of long-range research and development in this field. In this regard, solutions to our acid rain problems could, at best, be very greatly delayed and progress on reducing nitrogen oxides from coal-fired boilers could be halted altogether.

Do you expect these kinds of results as an outcome of the reduced budget?

Mr. MARES. I disagree that all long-range research in this area will be terminated, Mr. Chairman. We will be doing research in combined NO_x and SO_2 cleanup areas at a very early stage of idea creation. We think that the work we propose to do in 1983 is at a sensible level to address this problem. We think that's a place where they are not doing research. They are only doing it on the SO_2 scrubber systems, which we don't think is appropriate for us. But we do think that we are spending our money in areas which are important and where industry will not be doing it; and that is in establishing a base technology for the NO_x-SO_2 cleanup, as well as in coal preparation and gas cleanup.

Senator MCCLURE. What are the total number of dollars that will be devoted to that research through the Federal budget?

Mr. MARES. I know in our area—I can't assert it's total throughout the Federal Government—but in our area, the flue gas cleanup research will be about $3 million, out of a total control technology budget of $8.6 million.

Senator MCCLURE. How does that compare to the amounts of money expended in the 1982 budget for the same purposes?

Mr. MARES. Our appropriation was $6.2 million in 1982.

Senator MCCLURE. About 50 percent?

Mr. MARES. Correct.

Senator MCCLURE. In this same area, what role does DOE propose to take in assisting industry to develop the technological base necessary for the development of cleanup systems used in conjunction with gas turbines operating from a coal-fired pressurized fluidized bed combustor or from a low Btu coal-derived gas? I think it's $1.5 million that is identified in this area, down from $7.296 million in 1982.

If that assumption is correct, is that sufficient to maintain adequate support in this area?

Mr. MARES. The numbers are correct. The work that we are doing there is continuing some projects that we have started at less than proof-of-concept stage. It is an area where we are continuing to develop a technology base. It won't be done quite as rapidly as it was done before, but in a couple of these areas we are not ready to go to the next larger stage.

UNIVERSITY RESEARCH

Senator MCCLURE. The committee has recently received a preliminary report from the steering committee of the University of Coal Research Group which indicates that in fiscal year 1981 approximately 550 graduate students and 400 postdoctoral students and faculty members were involved in fundamental long-range, high-risk research in various coal research areas. The research efforts of the university community provide a base of fundamental new knowledge that our country needs in order to find more efficient and cost-effective ways to utilize our vast coal resources, and certainly, in terms of producing energy, we look to those coal resources as a primary source of that production.

Furthermore, the university community is the only source for training the future scientists and engineers who will reduce this new knowledge to practice in the private sector. The proposed spending levels in this budget will not only decimate existing engineering and scientific training programs and disciplines in which critical shortages already exist, but will also greatly curtail the search for better ways to utilize our coal resources.

In view of the administration's overall goals to strengthen our scientific base of knowledge, how do you explain the near abandonment of such efforts by virtue of the proposed budget reductions benefitting university research?

Mr. MARES. The overall percentage of the budget that would be spent at universities is probably going to be less than this year. However, there is going to be less overall spending in all projects.

The Office of Fossil Energy is not the only office within the Department of Energy, much less in the Federal Government, which supports scientific and engineering work at universities to develop a knowledge base and provide training in critical technology disciplines of this country. So I don't think you can make a judgment exclusively by looking at the funding within the Office of Fossil Energy.

Senator MCCLURE. Certainly not, but are you going to invite my attention to some other area of the budget in which this burden is picked up and increased?

Mr. MARES. I think that when we have looked at all of the expenditures within the Department of Energy, we will find that the overall budget of the Office of Energy Research has been about the same or slightly higher, and a significant part of their money does go to universities. So on a relative basis, the universities have done better than most other players in the overall technology area.

INDUSTRIAL R&D AND COMMERCIALIZATION

I think one of the critical things that needs to be remembered in the area of fossil energy is that none of the technologies we are working on will be commercialized by the Federal Government. They are going to be developed and commercialized by industry groups and unless the industry groups and the industry laboratories are major players, we run a great risk of preparing thousands of reports which will sit on shelves and never be utilized.

So when you look at the overall distribution of funding for the last several years, you will find that funding for the universities in the Office of Fossil Energy has been about 6 or 8 percent, the national labs about 10 to 12 percent, our own ETC's about 15 percent, and industry over 50 percent.

And I think that is a sensible balance for the development of a technology and its ultimate utilization by the commercial sector of this country.

Senator McClure. I am concerned, as you might judge from my question, because there is no disagreement between the adminisration and myself on some of the fundamental goals in energy research. One of the areas of agreement expressed by the Department and by myself is that there is clearly an area for Federal involvement in basic research and development. Those research efforts, which are long term, costly, that have high risk but high potential, but the initial cost is so great that the private sector is not going to make the investments, our Government ought to be involved in. We have been involved in that basic research. In some areas we still are. But in one area, that is this area, it seems to me that we are subtracting from the Federal effort at a time when there is no real assurance that the private sector is picking it up.

If I could see that the private sector was really beginning to step up its private laboratory efforts, if the private sector was beginning to pick up its contributions to basic university-based research, if private industry was more involved in the movement from the laboratory bench to the demonstration in the field, I would feel more confident that we were getting it done. But I don't see that movement yet. I hear it talked about but I don't see it.

Mr. Mares. I think there are at least several very large examples of things that are under way.

The Coolwater project in California, where you have an integrated gas supplier combined-cycle turbine situation, can provide the basis for developing even further the technology base in the high-temperature gas turbine.

Another example is the H-coal project which is one of the five finalists of the FSC. That is a building-on process which the Department helped fund for quite a few years and ultimately resulted in the H-coal pilot plant.

So I think that there are examples where things have gone forward. Fluidized bed combustion is another example where the Department helped fund that work several years ago, and we now have a large number of commercial firms selling fluidized bed systems.

We have firms selling coal-oil mixtures that can be used in place of total oil.

And I think there are other examples where things are moving from Government-funded activity into the private sector.

One of the observations that needs to be remembered is that as technologies go into the marketplace, industrial firms spend substantial amounts of R&D money continuing basic research related to those technologies.

If one looked back on some of the developments over the last 20 or 30 years—I'm thinking particularly of the fluidized bed in the catalysis area—you would find that industry has done a lot of additional work in basic science trying to understand how catalysis works once they got a process up and running.

So I think the Nation can expect that there will be enhanced R&D by participating firms in, for example, the H-coal process, as it, goes through SFC and the Coolwater project, as it progresses.

Senator McCLURE. Thank you, Mr. Secretary. And again I'm sorry I can't pursue this further. We will submit some questions for the record and ask for a response to those questions. Other members of the committee may also do the same.

Senator Burdick, I'll turn the committee over to you.

Thank you very much.

Mr. MARES. Thank you.

GRAND FORKS ENERGY TECHNOLOGY CENTER

Senator BURDICK. As you may have anticipated, I am interested in the status of the Grand Forks Energy Technology Center. I am told that DOE has held talks with officials of the University of North Dakota about the transfer of the center. Can you share with the subcommittee the elements of DOE's talks and the university's reaction?

When do you foresee a final determination of the future of the center?

Mr. MARES. There have been extensive talks with the university. I myself have talked to President Clifford on the phone and then visited with him at the end of February. Since that time there have been discussions by other members of my staff, members of his staff, and with President Clifford as recently as yesterday, in regard to the possibility of transferring the facilities to the university in a fashion whereby the university, a foundation trust, or a legal entity created by the university would operate the facility and employ most of the current employees of the center.

Under such a relationship, the center would continue to do research in the low-rank coal area for the Office of Fossil Energy, because we do believe it is important to continue this effort even at the $107 million budget in the areas of combustion, coal liquefaction, coal gasification, and environmental control technology area.

We have been talking to the university along the lines of funding this work, consistent with the level that we think is appropriate with $107 million, in terms of a contract with the university for a period of up to 3 years subject to congressional approval in the odd-year budgetary cycles.

My understanding is that the university is very positive about the proposal and about the opportunity that the transfer of the facility could provide in pursuit of their educational mission. In addition, the transfer provides an opportunity for the center to do work not only for the Office of Fossil Energy, but for other governmental and nongovernmental agencies; and in so doing allows the center to operate more nearly at its full capacity, rather than at the level at which, we would be able to fund with our proposed budget.

One important issue that will need to be resolved before involves the actual transfer of the facilities to the university. The Department has general authority to lease facilities for a period of up to 5 years if they are used for energy purposes. If the Department determines that a facility is excess to its needs, it then must be turned over to the General Services Administration who then has a procedure to try to obtain the maximum amount of money possible for the facility, after first considering other Federal Government agency needs and finally others.

Furthermore, the administration has taken the position that when there is surplus property available, we should be as aggressive and as active as we can to get the maximum value for such a facility. The thrust of that approach will be to make GSA very chary of encouraging a gift such as the facility to an educational institution.

That, in turn, would make it probably very difficult for the university to compete and, in effect, bid a high amount of money for the facility.

This type of situation has been addressed by the Congress on other occasions. Specifically, once in my own area with respect to the surface coal mining laboratory at Carbondale, Ill.

What Congress has done in such cases in the past was to enact a law that would allow a facility to be transferred to an educational institution without any compensation to the Federal Government.

I believe that the university will be requesting the Congress to consider such a proposal, because I do not believe that the university has funds available nor the likelihood of obtaining funds to enter into an auction market and ultimately pay a high price for the physical plant.

So that that issue will have to be addressed by the Congress if the facility is to be succesfully transferred to the university.

Subject to that, I'd say that the discussions with the university are going very well. As the issues are sharpened or any new ones arise that need congressional review, I would expect that both the university and the Department would go to the appropriate congressional delegations and review the problem with them.

Senator BURDICK. What is the amount of money involved in the anticipated 2-year contract as compared with the appropriations that the center now receives? What would be the comparison?

Mr. MARES. The operating budget at the center is about $10 million a year and has been over the last couple of years. The amount that is needed, as I understand it to continue to employ the same people as are there today, is probably of the order $5 million.

In the context of our budget of $107 million, our judgment was that the appropriate level of funding for the work which is specifically oriented toward low-ranked coal in the various categories that I earlier mentioned, should be about $5 million. Our recommendation would be to spend most of that, but not all of it, with the university utilizing the center. The amount we have recommended is about $4 million and the $1 million difference would be spent in other institutions that have done work in low-ranked coal over the last several years. We think it is important for these institutions to continue to do some work in low-ranked coal.

We recognize that the $4 million that we have indicated is less than what has been spent in the past and is less than what would be the total amount to keep everybody there.

It is again one of the many hard choices that I have had to make in the course of trying to put a budget together.

Senator BURDICK. Well, under the present way of doing business, they would get $10 million.

Mr. MARES. In fiscal 1982.

Senator BURDICK. And under this proposal they'd get $4 million. How could they keep the same staff, the same operations?

Mr. MARES. Some of the $10 million is not spent at their own site and some money also deals with a large facility which is operated by contract, and not by Federal employees.

These two major factors speak to the question of how at $5 million you can continue with the current program. Current Federal employment is about 65; the non-Federal employment is about 50 as I recollect.

Senator BURDICK. When you compare the two figures, something has to give.

Mr. MARES. Again, this is part of the problem that we have in this office regarding our field centers. We have neither the funds nor the people to continue to operate five centers in 1983. What we have tried to come up with is an approach which would allow as much activity as possible, consistent with our budget resources, to be conducted particularly at the three western centers. We think that the $4 million is a level at which the Federal Government would continue to receive meaningful research results and provide a basis from which the facility can to grow and perform other work.

Senator BURDICK. It's just simple arithmetic, if you are going to continue at the same operations you have in the past, the univesity and ultimately the State of North Dakota will have to make up the difference if they are going to keep the same rate of activity; isn't that right?

Mr. MARES. No sir, because the total amount to fund these people is not $10 million.

Senator BURDICK. If it costs $10 million to run the facility now——

Mr. MARES. But not all of the $10 million is spent at the facility in Grand Forks.

Senator BURDICK. How much is?

Mr. MARES. Probably about $8 million and about $2 million of that is to operate the large gasifier by contract.

Senator BURDICK. Well, whatever the reduction is, whether it's half or whether it's 40 percent, or whatever it is, if they are going to continue at the same level——

Mr. MARES. If they are going to continue at the totally same level, it presents a problem.

Senator BURDICK. Don't you think, in an area that has a potential of producing two-thirds to three-fourths of the lignite coal in this Nation, it's pretty important to keep on top of technology for the development of energy?

Mr. MARES. Yes sir, and we plan to continue to fund research in that area.

Senator BURDICK. That's where most of the lignite coal is, right there in North Dakota.

Mr. Mares. Yes sir.

Senator Burdick. I think it's sad that we can't keep this thing going at the same level, really.

Mr. Mares. Well sir, I must tell you that I'm also sad about a lot of things that I am recommending. I don't particularly like to reduce personnel. It's not something that any manager that I have ever met enjoys doing. But to the best of my ability, I am willing to try to recommend to the Secretary and to the Congress a rational approach to expending our people and dollar resources in the way that gives the most value to the country.

Senator Burdick. You may have answered this following question, but we want to add to it. I understand that DOE is planning to set up a reprograming request to try to fund the closeout of the Grand Forks Energy Technology Center and several other projects.

Will these closeout costs, for example, take into consideration any financial arrangements made with the university with the center to be transferred? And when do you intend to send these programing requests to Congress?

Now, the last portion you probably haven't answered.

Mr. Mares. The reprograming request, as it relates to the deferral that we have requested which we believe will be considered on the floor of the House today, will be submitted as soon as possible after learning of the House decision.

Relative to Grand Forks, the reprograming relates only to the gasifier facility that is operating at Grand Forks. The specific item that was requested in the deferral does not relate to the termination of the center as such; only to a subpiece of the activity at the center.

The reprograming request of funds will obviously take into account the expectant costs of consolidation of our activities at the centers in fiscal 1983. That was the thrust of the original deferral request; to provide funds so that we would have funds available in 1983 to accomplish the transition and restructuring.

GREAT PLAINS GASIFICATION PROJECT

Senator Burdick. In a slightly different area, I am told that the $2.4 million included in the DOE budget is to oversee the Great Plains coal gasification project. Can you explain how the Department intends to spend this money and over what period of time the funds will be used? And is it just for fiscal year 1983? And, if so, do you intend to request an annual appropriation for this purpose?

Mr. Mares. We have put together an overseeing group which includes technical people, financial people and procurement people to monitor that project which is a very large and important project for your State and for the country. Some of these people are at Grand Forks, some at our operations offices, and some are at headquarters. The funding for that activity in 1983 will be based upon the utilization of funds previously appropriated, as you have mentioned.

At such time when we need additional funds to continue to monitor the project, we will obviously request the authorization and appropriation for such funds.

There was a project management meeting as recently as the day before yesterday at which our people participated with individuals from the Great Plains project management group. I am pleased to say that it appears that the project is proceeding on schedule and within the forecast costs.

Obviously, we don't know for sure how it will finally turn out, but so far it appears to be proceeding well.

Senator BURDICK. We will probably know more about that next year.

Mr. MARES. I'm sure we'll know a lot more about it next year and the year after because we hope it will start up 2 years from this summer.

Senator BURDICK. Thank you very much.

FIELD RESTRUCTURING

Senator ANDREWS. The trouble with planning it out next year, at that time the horse is out of the barn and it's awfully tough to get it back in again.

I totally agree with the thrust of the questions by my senior colleague from North Dakota. I'd like to try to define it a little closer, however.

We keep reading time, after time, after time that the Btu stockpile of this Nation really lies in the lignite sub-bituminous coals out West. Now, if this is true, why does this administration cut out the one lab that is working on that sub-bituminous coal and keep two labs going 100 miles apart in the eastern part of the United States that are dealing with a coal that represents less than one-third of the Btu resources of western coal. You are keeping two plants in the East—and I have no quarrel with those plants; I'm sure they are doing great work. At Morgantown it's running around $78 million, and Pittsburgh is running around $81 million. That's a total of almost $160 million. You can spill enough to make up for the $10 million and maybe keep the one western coal research center.

Mr. MARES. I hope we're not spilling any. That would imply we're not doing a very good job, Senator.

Senator ANDREWS. You reduced from fiscal 1981 to 1982, Morgantown, $104 to $77 million; Pittsburgh was reduced $135 to $81 million. You are keeping them going at still a pretty high level.

But the one facility that deals with the type of coal we know little about, the one facility that deals with the type of coal that this Government has put a loan guarantee into a gasification plant for, is the one you're cutting out. Where is the logic? Where is the rationale?

Mr. MARES. I'd like to go back and talk about some of the things I covered before you and Senator Huddleston came into the room because it helps to answer the question.

Of the research budget that we have currently in 1982, only about 15 percent of our money is spent in the energy technology centers, about 6 to 8 percent is spent in universities, about 10 or 12 percent is spent in the national laboratories, and the rest in industry. And why is that?

That is because the technology that is going to be developed and ultimately used is going to be used in the private sector of this country, not by the Government entities. It is very important for the ultimate development and transfer of that technology that the research and development, or at least a substantial part of it, be conducted in the industrial sector, the private sector.

It is not critical that it be done in an ETC. Each ETC does work on subjects which are not specific to their own local geography. There is no inherent reason why a laboratory in one State in this country can only work on, or develop ideas that are specific to its own immediate geography.

Senator ANDREWS. That's true, except it's extremely difficult to get the type of coal that you need to the West moved 1,500 miles to the East to work on it.

I follow a lot of those things.

Mr. MARES. I would not agree with you on that, sir. However, we do plan to continue to do research work in the area of low-rank coal. We are not walking away from that resource by any stretch of the imagination. What we have said is that there is some work that ought to be very specific to low-ranked coal, and that it ought to be at a level of about $5 million in the 1983 budget. It is at a level of about $10 million in the 1982 budget.

Now, why is it not more, on the grounds that you pointed out that there is a higher Btu value in the resource in the West.

Senator ANDREWS. Not higher Btu value per ton, but higher overall Btu value.

Mr. MARES. Higher overall Btu value.

PUBLIC VERSUS PRIVATE SECTOR R&D

Senator ANDREWS. Let me supplement that observation with one other thing—and no one is more interested in the private sector getting into this thing than I am. They ought to get kicked off their duffs and get moving in that direction. But here again you come to a point. Where does the private sector usually move? It moves in the area it is already operating in. Where do we have the challenge for massive development? The challenge for massive development that is under utilized lies with the western coals. That's where you need the Government money out there as seed money for research that isn't being done because there isn't the private-sector approach in those coals.

Mr. MARES. I think the issue that we are talking about is whether the research must be done at a Federal-owned, Federal-employee-staffed facility.

Senator ANDREWS. I totally agree that it doesn't have to be.

Mr. MARES. That's my point.

Senator ANDREWS. There is more likelihood that the private sector will do it where they are already most deeply involved, which is with the harder coals, the coals they have been moving along with.

I am not that intrigued with private sector research. I think there has to be some public sector research to protect the general public on environmental causes and a host of other things. Private industry all too often is satisfied to sit back smugly. As long as they do not know how better to control that and how better to do this and how better to enhance the environment, they say, "we're doing the state of the art already."

One of the reasons we want to put Government research into place is to jump ahead and protect the general public on some of this research that might not be done because there isn't the economic stimulus to do it in the private sector.

Mr. MARES. And that is the whole thrust of our budget, to be funding activity that is beyond what the private sector would do with its own funding. But the people that do the research, I suggest, ought to be a mixture of industrial participants, of universities, of national laboratories, as well as energy technology centers.

When I look at the full mixture, and also look at it in the context of the resources both monetary and people available, we are recommending for 1983 in my judgment the most productive use of those resources. In addition, we would develop an opportunity for the University of North Dakota to expand their horizons and have a research institute based upon the facility which is adjacent to them and with whom they have had a long-standing relationship. In turn, we would continue to support, albeit not at the same absolute dollar level, research in the low-ranked coal area. In fact, on a percent basis, if we support at $5 million out of a $107 million budget, that's a larger percent than we are pursuing this year in the $417 million budget.

Senator ANDREWS. Fine. And I think we have come to the time where we ought to start getting specific about that, and I will follow up a question my colleague asked.

I did want to make a point about my overall concern about public versus private financing of research, and why it is important to keep the public research going in the source of coal that has the most Btu's that we will be depending on when we go into the next century. Our challenge for research is to define what we need to know 20 years hence so the private sector can begin to make the investments, so the private sector can begin to locate the sources and do the planning and all of the rest. A massive whole utilization plan has to be on the drawing board for almost a decade now, and you have to spend another decade or so to satisfy the environmental comments and problems.

So there is a long leadtime, and we need this knowledge well in advance, and it's knowledge I hope we can get through public sector research funding.

Now, you are offering that in essence in the $5 million infusion for your 2 years——

Mr. MARES. I said for up to 3 years.

Senator ANDREWS. For up to 3 years.

Mr. MARES. Yes, sir.

Senator ANDREWS. So you are willing, in the case of this laboratory in North Dakota, to turn it over to the university and fund the university to the tune of $5 million per year for 3 years.

Mr. MARES. We said about $4 million, and we have said that the total low-rank coal effort would be about $5 million. That allows us to have about $1 million to be spent with other institutional players who have done work in low-rank coal in the past.

Senator ANDREWS. How much is earmarked for North Dakota? $4 million?

Mr. MARES. It's about $4 million, yes, sir.

Senator ANDREWS. So you would earmark $4 million in Federal funds coming into that laboratory for 3 years, and they'd be able to plan that far in advance.

Mr. MARES. Yes, sir.

Senator ANDREWS. Let me define a couple of other things. No laboratory of this type is functional without its key employees, its key research group. It has an inner core of trained scientists who work together in this discipline.

Mr. MARES. Absolutely.

Senator ANDREWS. And if you disperse those scientists you lose an awful lot, far more than the bricks and mortar, far more than the steel and the handling equipment and the furnace prototypes and all the rest.

What plans do you have to maintain that key core working in subbituminous coal out there? Will they be kept on the Federal payroll and in effect sublease to the University of North Dakota?

Mr. MARES. No sir, our expectation is that the key cadre that you are expressing, or in fact most of the people on the staff would become employees of—we'll say the university; but it's probably going to be an entity that is owned by the university and not the university proper, and they would continue to do research in the areas that they are doing research in today.

Let's go back to where we started from. We have a proposed budget which is substantially less than last year, both in people and in dollars. My judgment is that the most intelligent way to continue to hold together these cadres of people located at Grand Forks, Laramie, and Bartlesville—they are all doing work in areas that we think are important and we can continue to fund in the future but not at the same level as we've done in the past—was to develop a new institutional framework where most of them could be employed. In the two cases, clearly to include the adjacent universities with whom discussions are underway. We did have a discussion yesterday with President Clifford regarding the North Dakota one, whereby the facility would be transferred to the university, and the expectation is that most of the people would be employed by the university in this new structure.

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Senator ANDREWS. Have you asked these employees of the Federal Government how they feel, given their pension rights and their Federal benefits and all the rest—have you done any kind of a survey to find how many of those would stay together as that core group of scientists in this particular discipline or how many would take a look at the benefits that are 4 or 5 years off if they stay on as Federal employees, and will they become RIF'd or not RIF'd and stay in the system and move to other laboratories where you've got a very highly paid scientist but he's working with a whole different discipline, and in effect you've lost an awful lot of what he's learned over the years.

Mr. MARES. My understanding is that most of the people that are at Grand Forks like where they're living, as obviously you do because you're from North Dakota.

Senator ANDREWS. Yes; 40 below eliminates the riffraff. [Laughter.]

Mr. MARES. And they are generally positive about the possibility and hopefully the probability of working in a new institutional setting.

Senator ANDREWS. They have no fears, they have no problems with the Government benefits and all of that?

Mr. MARES. Well, the issues of what the benefits will be in the new framework versus what they are today are issues that are being discussed between our center director and staff as well as the representatives of the university, because that is obviously something that needs to be answered for the people.

Senator ANDREWS. I know it needs to be answered, but let me ask one final question because we have a vote going on, and we will very shortly have to leave, and when we come back, in the absence of Senator McClure, Senator Huddleston will take over as chairman.

But one final question on this. If some of these key scientists in that core group are hung up on these pension benefits and Government benefits and all of the rest, would you be flexible enough to work out some type of an arrangement where they could be kept on as Federal employees and their salary cost to be a part of, say, the package that the Federal Government is investing in that plan?

Mr. MARES. We do contemplate continuing what we would call a technical program office in Grand Forks for at least the period of time that the Great Plains project is under construction, which is another 2½ years.

Senator ANDREWS. You anticipated in your last year's budget $6.4 million, and more than half the funding that is going into this plant going for surface coal gasification. So it is a very big part of that project or part of that laboratory.

Mr. MARES. Sir, I didn't hear the predicate to your question.

Senator ANDREWS. You, in your 1982 budget, listed $6.4 million, which is over half the money invested in the Grand Forks lab, as directed toward surface coal gasification. So obviously it's an important part. That's why I'm worried about whether you are willing to stay with it up there.

Mr. MARES. In those numbers that is correct, but the surface gasification line item is not limited to low-ranked coal; it is coal across the board.

Senator ANDREWS. I'm aware of that. The main thing I wanted to develop in these public hearings was the ground rules, and you have done a great job in pointing those out, and that is important.

I want to again—and I have to disappear because of the vote going on—thank you for the cooperation you have given to me and the people out at the University of North Dakota. They appreciate the work you have done in working out these details, and I appreciate having you here in a public hearing so we can answer on the public record some of these things as basic ground points.

Mr. MARES. Thank you for your comments. It's really my staff that's been working on this, particularly the director.

Senator ANDREWS. We are all creatures of our staffs. But for our staff, we could get into all manner of problems, and sometimes do in spite of them.

Mr. MARES. It's our poor judgment, not theirs.

Senator ANDREWS. The subcommittee will stand in recess until Senator McClure or Senator Huddleston returns.

[A brief recess was taken.]

Senator HUDDLESTON. The subcommittee will come to order again.

First, I want to commend our chairman, Senator McClure, for his tireless efforts, both in this subcommittee and on the Energy Committee, to preserve a reasonable energy research and development program and provide us with some protections in the event of future oil supply interruptions. I doubt if you could find a stronger advocate of the free-market system than Senator McClure, but I have heard him say and I agree with him that a sound energy policy cannot be structured solely on what may or may not be economic at a particular time.

What is economic for the short term may not necessarily serve the national interest in the long term. And we can never hope to achieve a significant degree of energy security if we look solely to the economics of the situation at any given moment and let short-term fluctuations in world oil supplies and prices dictate our energy policies. There are too many other factors involved. We do not expect private industry to factor into their investment decisions the costs of continued oil dependence in terms of unemployment, inflation, and diminished national security. But these are factors a responsible Government has to consider.

We need a balanced energy research and development program. I don't oppose nuclear power, but I do oppose pursuing the nuclear option to the exclusion of everything else. And if it comes down to a choice of what gets funded and what doesn't, then I am going to have a distinct bias toward the fossil fuels which currently provide over 90 percent of our energy.

We need consistency, in my judgment. To reduce support of energy technology development for even a short time could rapidly result in dissolution of our basis of expertise and the loss of highly qualified personnel.

In short, we still need Government support for high-risk technologies, where the risks and costs of commercial demonstration are higher than private industry will or is able to pay. Without Government assistance the job just simply won't get done.

I'm convinced of that, and this administration has offered no concrete proof to the contrary that I am aware of at this time.

What we have before us today isn't the fossil energy budget; it is a blueprint for disaster. It could well lead to serious repercussions throughout the world in years to come. You are attempting to lead us down a dangerous path, I believe, and I don't think this Congress is willing to go along that route.

Let me pose some questions relating to the general philosophy.

The Department of Energy originally requested a fossil energy budget of $305 million to OMB. When this request was reduced by OMB, DOE appealed to the President for the entire $305 million budget as an accurate assessment of the legitimate long-term fossil energy research funding.

Now, what happened in the world of energy between December 1981 and February 1982 that reduced our Nation's energy research needs from $305 million to a level of only $106 million?

Mr. MARES. Senator Huddleston, when the administration reviewed all the requests from departments, including appeals from departments, the administration made a judgment that the fossil energy budget for 1983 should be $106 million.

Senator HUDDLESTON. When you say the administration, you mean the OMB?

Mr. MARES. No, sir, I mean the administration.

Senator HUDDLESTON. Did the Department of Energy concur in that?

Mr. MARES. Yes, sir, we concur in that judgment.

Senator HUDDLESTON. After you'd made your original request and you appealed that request, you decided they were right?

Mr. MARES. Yes, sir.

Senator HUDDLESTON. Well, I haven't seen anything happen, with the exception of the fact that we now do enjoy somewhat of a glut of oil. Prices are dropping some. The supply situation, however, is still essentially exactly the same as it was when the embargoes were in effect. We are just as vulnerable; our supply is just as fragile. The spigot can be turned off at the whim of somebody else, plunging this country into a very severe energy shortage. Nothing has changed that situation, as far as I can see, and yet it seems to me here is a major retreat on the development of our own resources of fossil energy. It just seems a little strange to me.

Mr. MARES. It doesn't seem strange to me at all, sir, considering the way a budget is prepared. The budget proposer puts together proposals that are then reviewed. In my case, I have them coming from various people on my staff, and frequently encourage them to ask for more than they want in order to be able to pick and choose down to a lower number.

Senator HUDDLESTON. Is that what you do at DOE?

Mr. MARES. The administration received requests from various departments in excess of what the administration believed was the appropriate total amount of money for the administration budget. In so doing, it means various departments and subelements of departments would not be allotted the amount of funds that they asked for. And that was based on a weighing of what was in the judgment of the administration the best balance of meeting the short- and long-term needs of this country.

Senator HUDDLESTON. It seems to me the emphasis is on the budget process rather than on the needs of the country in the energy field and what we ought to be trying to move forward.

Mr. MARES. I don't think there is any disagreement on the judgment that it is important for the Government to support long-term high-risk research which the private sector will not support. I think the question is how much of that is appropriate for the Government to support.

Senator HUDDLESTON. Well, it seems like the question is whether we are going to get it done or not and how we'll go about it.

It appears to me that what is being proposed now puts us in the late stages of almost a complete termination of Federal coal research and development. Do you anticipate this process is going to continue? Have you set a date for getting the Federal Government out of coal research totally at some time in the near future?

Mr. MARES. The budget presented for fossil energy and the actions that we are proposing are predicated on the assumption that there will be a fossil energy budget for several years to come. We will not be withdrawing from Federally funded research in the fossil energy field.

I would be foolish to promise and assert that that question might not be addressed at some future date, because every year people review the budget, the requests for funds, the needs, the relative needs of one versus another, and try to make a judgment. But at least the budget philosophy for our budget in 1983 is that there will be a fossil energy program for several years to come.

And, in fact, that was really one of the reasons behind our deferral request. That was to obtain funds that will allow us to restructure or programs and our field and headquarters staff, pay the costs of the transition, so that the request for 1983 did in fact result in programmatic expenditure in 1983 instead of termination expenditure in 1983.

Senator HUDDLESTON. It seems to me if this country is going to have any significant coal research development under the plan outlined by the administration, there has to be a great, great dependence upon the private sector picking up the ball.

I have seen a list of projects that you propose to terminate and shift to the private sector.

Have you completed a single contract with any segment of the private sector to pick up the total costs of any coal research and development program?

Mr. MARES. We are negotiating with Ashland on the H-coal project.

Senator HUDDLESTON. You've got a project there, incidentally, the cost of which is more than the total assets of Ashland Oil Co. Is it realistic to think they are going to pick that up?

Mr. MARES. We are talking about the pilot plant, sir, not the demonstration, the first commercial plant. And the issue there is we believe that we, the Federal Government, have taken that technology—in fact, I think we probably can say we have taken that technology to the State where it has been selected as a project which has been sufficiently technically developed so Synthetic Fuel Corporation is willing to finance it.

The issue at this stage is whether it should continue to be operated as a pilot plant to provide training experience to those that want to license the process and to confirm the group that wants to continue to build it in the first commercial stage. And our judgment is that is an appropriate role for the private sector and not a role for the Federal Government.

Senator HUDDLESTON. Are you suggesting that all questions have been answered about H-coal, about the operation of the equipment, just by this year's operation of the pilot plant? I understand they have had some developments in the last few days that indicate all the bugs are not out of it. There are things they are learning still every day.

Mr. MARES. In the development of any process you go through several stages, as we have described in the formal testimony: basic science, applied first proof of concept, process development, and finally commercialization.

In our judgment, the people who are most qualified to handle the process development and commercialization are the private sector, and that is not an area where the Federal Government can contribute sensibly, or should participate in that activity. It is process-specific. The Federal Government is not going to bear the responsibility for operating that plant; somebody else is. And that is quite typical for the private sector to run pilot plants before they run big plants.

So it doesn't surprise me that they might have had troubles. That is one of the reasons you do operate a pilot plant before building a big plant. That's very normal.

Senator HUDDLESTON. I think the question is: How long does the Federal Government anticipate is long enough to really get the kind of data that is necessary?

Mr. MARES. We think that we have anticipated long enough that the technical data is available from which the judgment can be made as to whether to proceed to the next commercial stage.

Senator HUDDLESTON. A major concern I have was what I indicated in my statement. If you are looking for private industry to pick up this cudgel for developing alternate sources of energy in this country and expect them to do it on the basis of economic viability, I think our projects are at a total halt right now. There are too many variances and too many uncontrollables. If we are going that route, then we are turning over to OPEC the total power to put a program on stream in this country or jerking the rug out from under it. And they can do it by increasing supply and world prices. Any time they want they can make a coal project, a coal conversion project, not viable.

And I don't think you can get industry to make the long-term commitments they have to make. You're talking about long term. Most industry looks to get some return in 5 to 8 years from their investment. If they are going to be subject to all the variances of energy production in other places in the world for the economic viability of a project, I don't see how you can expect them to go into these expensive long-term projects.

Mr. MARES. The large first commercial plants the country has got, three of those are proceeding right now: the Union shale plant, the Colony shale project, the Great Plains coal gasification project that makes high Btu gas. There were five that were picked by SFC for the final negotiations, one including the coal liquefaction project.

SFC also has a second solicitation for which they expect to get additional requests. Those five, plus the three that are already existing, plus any others, are going to provide a mixture and diversity of large-scale operation in this country of a variety of synthetic fuels technology. And that will provide, at least at the commercial level, a technology base that will be of use to the country in the sorts of strategic issues that you were describing.

Senator HUDDLESTON. Would you supply for the record a listing of any new private sector entries into the multimillion dollar coal research projects and gas research projects that have occurred?

Mr. MARES. We'd be pleased to do so.

[The information follows:]

NEW PRIVATE INDUSTRY ENTRIES IN THE COAL CONVERSION AREA

It is extremely difficult to know with any degree of precision private sector intentions to proceed with major coal conversion projects. While the Department has discussed possible projects with a number of representatives of the private sector, both at the senior management and technical levels, we do not have positive assurances as to which will proceed.

A more positive indication of potential new private sector entries into the coal conversion area can be gained by reviewing applications to the Synthetic Fuels Corporation (SFC) for financial support of individual projects. At the present time, the SFC is considering support of one or more of the following:

Project name and location	*Sponsor(s)*	*Production*	*Type of assistance requested*
Northern Alabama, Murphy Hill, Ala.	North Alabama Coal Gasification Consortium (including Sante Fe International, Kidder Peabody, and Air Products & Chemicals).	12,000 BOED.	Loan guarantee.
CoaLiquid, Shelbyville, Ky.	CoaLiquid, Inc.	1,000 B/D.	Price guarantee and purchase commitment.
First Colony, Creswell, N.C.	Peat Methanol Association.	1,900 BOED.	Loan guarantee and price guarantee.

The SFC is engaged in a second round of solicitations to identify additional synfuels projects. The deadline for companies to respond to the SFC's second solicitation is May 31. At that time we may have a better indication of industry's current interest in the coal conversion area.

Although the projects are not new and often overlooked, the continued activity by the industrial sector to complete the construction of the facilities and to initiate the demonstration programs on two coal conversion facilities should be noted. The first project is being supported by Tennessee Eastman Co. and is a demonstration plant located at Kingsport, Tenn., that will use a Texaco entrained-bed gasifier to convert 250 tons/day of coal into a synthetic gas which will be subsequently converted into the chemical compound acetic anhydride. The second project is also a demonstration plant being built by the Dow Chemical Co. at Plaquemine, La. This plant will use the

Texaco entrained-bed gasifier to convert 150 tons/day of coal into a synthetic gas sutiable for subsequent conversion into chemical feedstock.

FOSSIL ENERGY EXPENDITURES

Senator HUDDLESTON. In material submitted by the Department for inclusion in the record of this subcommittee's hearing by Secretary Edwards, the Department stated—and I quote:

> It should also be noted that in 1980 research and development expenditures of the fossil fuel industry are up over 27 percent compared to 1979.

What is the source of that figure?

Mr. MARES. We will provide it for the record. I do not know myself.

Senator HUDDLESTON. Can you also provide, then, how R&D expenditures for the fossil fuel industry in 1981 compared to 1980?

Mr. MARES. Yes; I'm not sure the information would be available simply because that type of information—and this is not from personal knowledge, but generally observing how long it takes to obtain information about an industry activity after the end of a calendar year, I'm not sure it would be available yet. But we will certainly provide the answer to the first question.

[The information follows:]

PRIVATE INDUSTRY EXPENDITURES ON FOSSIL ENERGY

The source of Mr. Mares' statement that private sector expenditures for fuel in 1980 were 27 percent higher than in 1979 came from the July 6, 1981, Business Week magazine article that concluded that spending by the private sector for research still outpaced inflation. A similar study comparing 1981 to 1980 should be available again in Business Week magazine sometime in July 1982.

LONG-TERM RESEARCH

Senator HUDDLESTON. You referred just a minute ago to this question of long-term research, and as I understand it that is the direction you intend to move.

What is your definition of "long-term research?" What are we talking about?

Mr. MARES. Well, it varies in each technology because really it's the area that is beyond the time horizons of the private sector with their own dollars.

Senator HUDDLESTON. Beyond—I'm sorry.

Mr. MARES. It's beyond the time horizon of the private sector's expenditure of their own money.

Senator HUDDLESTON. And what do you figure that is?

Mr. MARES. Well, it varies. Excuse me, sir?

Senator HUDDLESTON. It varies?

Mr. MARES. It varies from technology to technology; it varies from industry to industry, depending on who the participants are. I guess if you were to say a years number, it's obviously years and it's probably anywhere from 6 to 20 years.

Senator HUDDLESTON. As has already been pointed out, I think, by other members of the committee, there is a big differential between the nuclear research budget and the fossil fuel research budget. I'm not at all opposed to nuclear. I think we have to develop a safe nuclear energy capability in this country to meet our energy needs. I don't believe the energy needs of the United States are going to diminish. I think some day we'll get back on a growing economy and expanding economy and will be dealing with conservation and everything else we should obviously be interested in. And our energy needs will increase substantially. So I'm not against the nuclear option at all.

But I wonder how you can justify that big a difference between over $1 billion versus $106 million in the research and development area.

Mr. MARES. I think one reason is, quite frankly, the vibrance of the industries that are involved in fossil energy. The users of fossil energy, the explorers and developments for it are among the most vibrant research-oriented organizations that we have in this country, and traditionally they have spent a lot of money from their own standpoint.

I think when the Department reviewed the needs and the resources that were available to spend on energy research, be it fossil energy research or basic energy research or nuclear, the judgment was that the nuclear energy area needed more funds than the fossil energy area.

Senator HUDDLESTON. Do you see any danger of that big an imbalance in research commitment causing an imbalance in the marketplace? This creates certain biases or tendencies, perhaps, in the marketplace itself when they see the difference in the amount of money going into nuclear compared to what's going into coal and fossil fuels.

Mr. MARES. No, sir, I would not expect that to bias the marketplace.

Senator HUDDLESTON. Has that been taken into consideration?

Mr. MARES. Well, I don't know if that factor was taken into consideration, no, sir.

Senator HUDDLESTON. That would be something I'd suggest you look at to see if there is any possibility of any dislocations or things happening there in the marketplace that would be detrimental.

I understand questions have been submitted on the university coal research program and I don't want to duplicate them, but I do agree that the Nation's energy research and manpower needs warrant the restoration of funding for the university coal research program initiated some years ago. I hope consideration will be given to that.

[Discussion off the record.]

Senator HUDDLESTON. We will continue with some committee questions. We have another vote apparently started. I understand Senator Burdick is not going to make it back.

These relate to personnel reductions that have been announced. How many employees does your organization have assigned to the headquarters organization, and how many are presently assigned to the five energy technology centers?

Mr. MARES. We presently have 243 full-time permanent people at headquarters, and 835 in the energy technology centers, for a total of 1,078.

Senator HUDDLESTON. And what are your anticipations after the reduction in force occurs in both headquarters and field offices? What will the balance be?

Mr. MARES. We expect in fiscal 1982 to have a reduction at headquarters that would take us to 100 persons at headquarters.

Senator HUDDLESTON. And in the field you will have about how many?

Mr. MARES. We do not expect to have a reduction in force in the field.

Senator HUDDLESTON. In the field at all?

Mr. MARES. Correct, in fiscal 1982.

Senator HUDDLESTON. So your headquarters force is going to be more than cut in half.

Mr. MARES. Correct.

Senator HUDDLESTON. What is the justification for that?

Mr. MARES. The justification is that as the year has progressed and I have continued to review the overall management structure and recognize that we have been for the last several years moving to decentralize our project implementation from headquarters to field, I concluded that we could sensibly implement the 1982 program with fewer people than we have today.

Senator HUDDLESTON. That's a good many fewer.

Mr. MARES. Yes, sir.

Senator HUDDLESTON. When will these terminations start?

Mr. MARES. We expect it will be in late summer.

Senator HUDDLESTON. And what is the figure now, your total figure? Are we talking about 500?

Mr. MARES. Pardon me?

Senator HUDDLESTON. I have a figure here that you are down about 511 positions.

Mr. MARES. That's the 1983 full-time equivalent proposed personnel staffing.

Senator HUDDLESTON. The figures you gave to me are——

Mr. MARES. I have a fiscal year 1982 staffing problem.

Senator HUDDLESTON. You believe these are the number of positions you need to administer the $106.9 million?

Mr. MARES. No, sir, it's the number of positions I need to administer the current budget, which is about $417 million.

Senator HUDDLESTON. You can continue the present-level programing with this number of people?

Mr. MARES. Yes, sir, that is my judgment.

Senator HUDDLESTON. Why have you concluded that you should terminate half of the staff now, before congressional guidance is given on your 1983 budget request?

Mr. MARES. I have an approved staffing and budget for 1982. I am currently over my staffing limits for 1982. I have to make some reductions in order to meet my staffing requirements that I have for 1982.

I looked at the organization and tried to decide the most sensible way to do that. I recognized that we had been moving to decentralize our program from the headquarters, which concentrate on program development and overall guidance as opposed to execution. I evaluated my headquarters staff, and I concluded that I should reduce the headquarters staff to 100.

Senator HUDDLESTON. What would happen if Congress substantially increased your budget? Would you have enough personnel?

Mr. MARES. This is a 1982 judgment, Senator; this is not a 1983 judgment. I have a 1982 staffing problem.

Senator HUDDLESTON. Well, what happens in 1983 if your budget is increased substantially?

Mr. MARES. I am still confident that I can manage and deliver a sensible program to the country with a headquarters staff of 100.

Senator HUDDLESTON. Have some of these decision on staff reduction been made on the basis of the technology centers, which hasn't been finally decided, as I understand? Can you make a determination on the staff levels until the question of how you are going to operate the technology centers has been decided?

Mr. MARES. Oh, I believe that I certainly can make a judgment on the headquarters staffing before a judgment has been made on the final disposition and treatment of the energy technology centers, yes, sir.

Senator HUDDLESTON. Can we have assurances, then, that you are not going to make any reductions in the field until Congress has acted on your 1983 budget?

Mr. MARES. We will not make any reductions in force in the field in fiscal 1982.

Senator HUDDLESTON. And presumably you will have the budget for it.

Mr. MARES. Presumably.

[Discussion off the record.]

PREPARED STATEMENT AND ADDITIONAL QUESTIONS

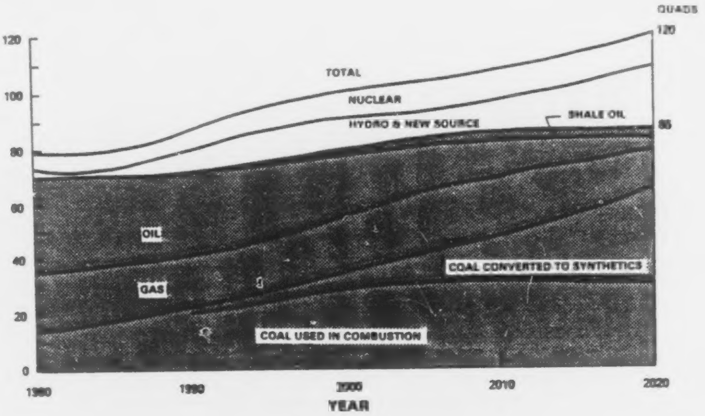
Senator HUDDLESTON. I have just been advised that Senator Schmitt is not going to make it back, so he will have some questions to submit as will other members of the subcommittee, I'm certain, plus some additional committee questions.

So thank you, Mr. Secretary.

[The information follows:]

STATEMENT OF JAN W. MARES

The portion of the Administration's proposed fiscal year 1983 budget which we will describe today recognizes that fossil fuels -- coal, petroleum, and natural gas -- are currently the dominant suppliers of energy in the U.S. and will continue to be for decades to come. Today, 90 percent of our energy is derived from these fuels, and forecasts of the nation's energy mix well into the next century (such as the projections of the National Energy Policy Plan shown below) show a continued national reliance on fossil energy, perhaps supplying up to 70 percent of our total energy needs in the year 2020.



NATIONAL ENERGY POLICY PLAN
PROJECTED U.S. ENERGY SOURCES

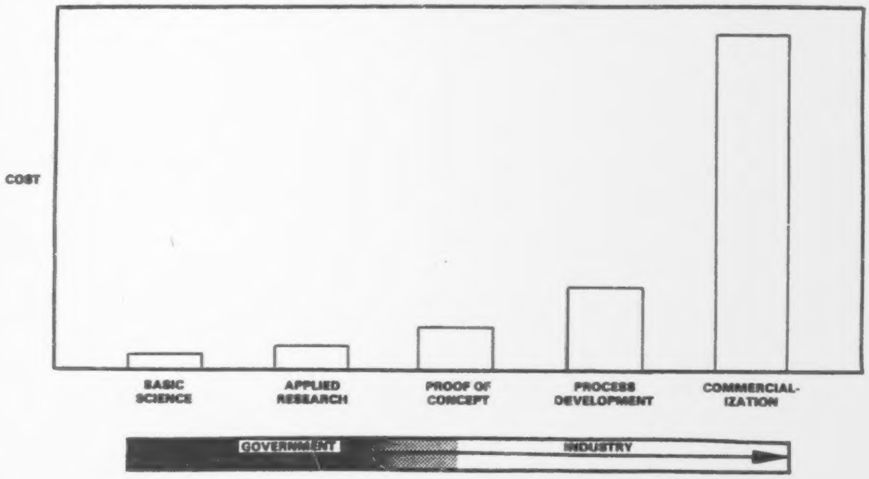
One benefit of this heavy reliance on fossil fuels is the strong technical capability of the industries that produce these fuels and that manufacture the hardware to utilize them. The policy on which this budget is based recognizes that these industries historically have propelled our nation's technological progress in energy. Given today's economic incentives, this sector is well positioned to continue and expand its role in developing and marketing new fossil energy technologies with minimum government help. Government has played an important role, most notably in such areas as coal-oil mixtures, atmospheric fluidized bed combustion, and new synthetic fuel processes, but the market continues to be the ultimate judge as well as the ultimate beneficiary of new energy technology.

Therefore, the proposed budget for fossil energy research and development in FY 1983 continues the process begun by the Administration last year to 1) reshape Federal research and development (R&D) programs to long-term, high-risk activities so they complement today's private sector initiatives, and 2) restore proper dimensions to Federal spending.

The redirection of Federal fossil energy R&D has reduced the FY 1983 funding requirement to $106.9 million, compared to the FY 1982 appropriation of $416.9 million. Within this budget, we have eliminated activities that overstep the proper sphere of Federal Government responsibilities, and we have better targeted and streamlined those generic and technology base R&D activities that remain appropriate for the Federal Government.

THE FOCUS ON "HIGH-RISK, LONG-TERM" CONCEPTS

A central premise of this budget is that the most effective use of direct Federal outlays is through a program focused on long-term, high-risk research that is beyond the time horizons of private companies. We recognize that the description "long-term, high-risk" cannot be defined precisely; however, to describe generally the boundaries of Federal involvement reflected by this term, it may be helpful to visualize the development milestones a new technology typically passes as it moves from laboratory to marketplace. These are displayed on the following chart:



"Long-term, high-risk" research focuses the Government's role on the early stages of this development path, that is, on basic science and applied research, and, in some cases, through "proof-of-concept." These stages remain unlikely to attract sufficient private funding because of their generic or high-risk nature or the substantial time required before they return commercial benefits. Yet, the payoffs of research in these areas, in terms of improved efficiency, economics, or environmental performance, may ultimately be substantial. An additional reason why industry is reluctant to undertake basic research and development is that it cannot exclude competitors from using the results. Therefore, a further justification for Federal involvement in basic research and development is that the information generated is for the public good.

Beyond these early development stages, Government is not well suited to make the market-related judgments that govern many of the decisions. Stable economic and regulatory policies can be more effective in moving new technologies through these final phases of development and into the marketplace than direct government funding.

The diversity of fossil energy technologies required sufficient flexibility in selecting candidates for funding to accomodate such factors as:

- differences among technologies;
- differences among technology developers and users;
- changing market factors and conditions;
- the size, complexity and economic uncertainties of projects being considered; and
- the resource affected.

These factors influence the point at which private firms are willing to risk R&D funds, and where the Government's role should end.

There is no mathematical formula for drawing the line dividing the responsibility of government and industry in developing new fossil energy technologies. For most technologies, there undoubtedly will be an overlap, as evidenced by projects which involve significant co-funding. In some cases, the point at which industry assumes the initiative may not be finally known until government funding is no longer available.

The process we undertook in formulating this budget, therefore, involved balancing projects against a given set of priorities and within the context of the need for fiscal restraint. In some cases, we chose to eliminate some programs entirely rather than disperse small amounts of funding across too broad a technological spectrum. In this way, we have retained a reasonable level of activity in the highest priority programs.

Priorities

In general, we have given highest priority to building the knowledge base so that the Nation can reduce its reliance on conventional sources of petroleum. In FY 1983, nearly 50 percent of our budget request relates directly to developing new sources of petroleum or providing substitutes for conventional liquid fuels. Research into the liquefaction of coal, the retorting of oil shale, the recovery of additional oil from conventional reservoirs, and the development of technologies that allow coal to displace oil make up the bulk of this funding.

The remainder of our budget request is divided between gaseous fuels and the direct utilization of coal. Included in the gas-related activity is the conversion of coal to a synthetic gas which, in turn, could be used as a feedstock for manufacturing liquid fuels or chemicals or for use in a fuel cell.

The direct utilization priority includes technologies for using coal in a more economical, efficient, and environmentally acceptable manner. This involves the development of various control systems for cleaning coal or removing pollutants from the combustion gases and research into improved combustion concepts.

Throughout this budget, we have also recognized that the Federal Government has traditional responsibilities relating to environmental protection, health and safety. Therefore, a significant portion of our budget emphasizes research intended to mitigate the environmental problems associated with new fossil energy technologies.

Clearly, the Federal Government cannot support research and development on all promising technologies. We have had to make hard choices on which programs to continue and which to deemphasize or eliminate. The fact that a technology is not being supported does not mean that past work in it was not useful; instead, it means that when balanced against other priorities and when considering the incentives now in place for private initiatives, our judgment was that other technical areas were more appropriate recipients of Federal dollars.

INCENTIVES FOR NEW TECHNOLOGIES

Although not specifically part of the budget being discussed today, important aspects of the overall national energy program are the economic, regulatory and tax incentives developed by the Administration to encourage increased production and more economical use of energy. Because they are expected to provide the incentives necessary for increased private sector development of new fossil energy technologies, they form the starting point for a discussion of the Federal program in fossil energy research and development. These incentives can be summarized as follows:

Decontrol of energy prices: On January 28, 1981, the President completed the elimination of Federal price and allocation controls on U.S. oil production and marketing. The drilling industry has responded to the increased economic incentives brought about by decontrol by pushing drilling rates to record levels. In 1981, drilling in the U.S. reached an all-time high, climbing nearly 26 percent over the previous record year of 1980. Oil drilling accounted for the bulk of the increase. While the increased activity in domestic oil fields has not yet revealed another Prudhoe Bay or another East Texas, it has flattened a production trend that had curved downward for nearly a decade. Also, oil price increases have made other energy technologies, including coal combustion, economically attractive in comparison with oil. Regarding natural gas, while we continue to believe that changes to the Natural Gas Policy Act of 1978 are an essential component of a sound energy policy, the President has concluded that asking Congress to accelerate the current schedule of deregulation would overload an already-heavy legislative agenda this year.

Leasing reform: The Federal government owns or controls up to 60 percent of all U.S. energy resources, including up to 80 percent of all known coal reserves in the western U.S. A comprehensive effort to reformulate Federal leasing policies is underway at the U.S. Department of the Interior to guarantee that these energy resources can be explored and produced at a pace consistent with our national energy needs, social and environmental concerns, and the public interest.

Tax incentives: The Economic Recovery Tax Act of 1981 contains several provisions that will assist the private sector in taking a more aggressive role in energy development and production. A 25 percent research and development tax credit is designed to help restore America's technical edge by reducing the after-tax cost of R&D programs and expanding R&D expenditures. This credit may prove to be a successful market alternative to direct government grants for development of the same technologies. The accelerated cost recovery system is expected to stimulate capital investment of all forms. Petroleum production and refining equipment can be depreciated over five years. Some public utility property would get 10-year depreciation; public utility property with useful lives longer than 25 years would be limited to 15-year cost recovery.

Synthetic Fuel Incentives: On February 9, 1982, the President declared the Synthetic Fuels Corporation to be fully operational. This means that more than $14 billion in financial assistance will be available for synthetic fuel facilities. Last fall, the President approved loan and price guarantees for subsidiaries of the TOSCO Corporation and Union Oil, respectively. Each firm is involved in the construction of a commercial-scale oil shale facility. A loan guarantee also was approved for the Great Plains Gasification Associates commercial-scale coal gasification plant. Taken together, these actions are expected to give private companies the assistance they need to begin a new domestic synthetic fuels industry.

THE FY 1983 FOSSIL ENERGY R&D BUDGET

The FY 1983 fossil energy budget proposes new funding for two of the three primary elements which have comprised past budgets. No funding is requested for the Gas program. The FY 1983 budget request is summarized below and compared with the corresponding appropriation in FY 1982 (in millions of dollars):

	FY 1982 Appropriation	FY 1983 Request
Coal	$ 366.8	$ 90.8
Petroleum	40.9	16.1
Gas	9.2	...
Total	$ 416.9	$ 106.9

Since the proposed FY 1983 program involves a major reduction in the scope of fossil energy R&D activities, including a 55 percent cutback in personnel, the Administration has also proposed a deferral and redirection of FY 1982 and prior year appropriations to ensure that adequate funds are available for these transition expenses. The proposed deferral of $44.9 million in FY 1982 and prior year appropriations would subsequently be used to finance the following transition activities:

- o consolidation of the five Energy Technology Centers (ETCs);
- o the required reduction-in-force;
- o the termination of ETC contracts, where there are termination costs;
- o the placing of various federally-owned pilot plants or test facilities associated with the ETCs in a "mothball" status; and
- o the disposition of Federally-owned facilities.

The original deferral submission anticipated beginning many of these actions on April 1, 1982. Based on discussions with the appropriate Congressional committees, however, it was agreed to delay the actions until May.

COAL

The abundance of U.S. coal -- nearly 475 billion tons is the demonstrated reserve base according to the Department's revised estimates released last year -- makes it one of the nation's strategic resources in both our energy and economic future. It has also become increasingly significant as other countries continue to turn toward a coal-rich America as a competitive, long-term and reliable source of energy.

The 1200-percent rise in world oil prices in less than a decade has imposed a substantial burden on the economies of oil-dependent nations including the U.S. But it also has created an unparalleled opportunity for America's coal production and utilization industry. The average fuel price difference between coal and oil delivered to U.S. utilities in 1973 was about $2 per barrel of oil equivalent in favor of coal. As of September, 1981, coal's domestic price advantage over oil had widened to more than $20 per barrel.

These inherent economic advantages, coupled with the recently-enacted tax incentives and the activities of the U.S. Synthetic Fuels Corporation, are expected to stimulate increased private sector development of new coal technologies. Therefore, the Federal program will concentrate on acquiring a better understanding of the fundamental behavior of coal as it is burned directly or converted to synthetic fuels and on improving significantly the current efficiency, economics, and environmental effects of coal use.

The proposed Coal program budget for FY 1983 is $90.8 million, a $276 million decrease from the FY 1982 appropriations. The components of this budget request are as follows:

Mining Research and Development: (FY 1982 Appropriation: $ 10.992 million; FY 1983 Request: $ 1.000 million)

	FY 1983 Request (in millions)
Underground coal mining..................	$ 1.000
Surface coal mining	...

The long-term development of advanced underground coal production systems and techniques has been shifted from primarily a contract effort to a largely in-house research program. The Administration will propose transfer of the DOE Mining R&D program to the Department of the Interior's Bureau of Mines which conducts similar research activities. This year, the necessary project reviews and facility and equipment inventories will be completed with the Bureau. Previous research efforts conducted by private firms under DOE contract will be closed out or phased down except for those proposed for continuation in the course of discussions with DOI.

Activities continued in FY 1983 will assess the technical feasibility of advanced and novel mining concepts and on previously-funded, long-term trials of advanced longwall mining techniques.

Longwall mining, although accounting for only 5 percent of the nation's underground coal production, nevertheless offers the potential for significant improvements in productivity, worker safety, and the capability to mine deep and multiple seams. These improvements will become increasingly important as shallower deposits are exhausted and miners must move deeper underground and face more difficult conditions. The Federal program in FY 1983 will concentrate on determining the forces and loads on key longwall equipment, using both underground trial data and the program's unique Mine Roof Simulator located at the Pittsburgh Energy Technology Center. Studies will also be made on the systems which guide the longwall shear across the coal face in an effort to overcome current control and alignment problems.

In the room-and-pillar area -- the mining technique accounting for 95 percent of the Nation's underground coal production — the Federal effort will continue assessing means by which advancements in the roof-bolter, miner-bolter, and continuous haulage system can be better integrated.

In past budgets, coal preparation activities were part of the Mining R&D program. In FY 1983, these activities are shifted to the Control Technology and Coal Preparation program under the heading "Coal Preparation and Analysis." These activities are not proposed for transfer with the Mining R&D program.

Liquefaction: (FY 1982 Appropriation: $ 98.784 million; FY 1983 Request: $ 26.200 million.)

	FY 1983 Request (in millions)
Direct Hydrogenation	
H-Coal pilot plant	$ ...
Solvent Extraction	
Exxon Donor Solvent pilot plant	...
Advanced Process Development	
Disposable catalyst	4.200
Process research/technology development	9.600
Indirect Liquefaction	8.400
Support Studies/Eng. Evaluations	
Environ. studies & other support	4.000

Liquids remain a primary source of national concern about energy. Although significant potential exists for discovering new sources of conventional petroleum or increasing production from known oil reservoirs, the magnitude and geographical diversity of the nation's coal deposits makes it highly likely, and perhaps necessary, that this resource eventually will be used to increase the supply of liquid fuels. Today, several commercial projects that would convert coal to liquid fuels are being considered by the U.S. Synthetic Fuels Corporation. Most would rely on the "indirect" liquefaction process, where the coal is first gasified, then the gases catalytically recombined to form liquids.

Direct liquefaction — converting coal to liquids without the initial gasification step -- offers the potential for improved efficiencies and lower costs. Completion of the government's programs at the 200-ton per day H-Coal and the 250-ton per day Exxon Donor Solvent direct liquefaction pilot plants in FY 1982 will provide a sound technology base for continued development and scale-up of these processes for commercial use by the private sector.

The focus of FY 1983 activities will be on exploring new concepts offering significant improvements in efficiency and economics compared to the H-Coal and Exxon Donor Solvent processes. Information learned from these activities could form the basis for new generations of synthetic fuel technologies in the 1990s and beyond. Much of the Federal direct liquefaction program will concentrate on advanced process development to attain higher thermal efficiencies by reducing the amount of steam, oxygen and/or hydrogen required in the conversion process. One way to do this is by improving the effectiveness of catalysts and minimizing the dependence on high temperatures to break apart the coal structure. By developing cost-effective ways to use these catalysts, the reactivity of the feed coal can be controlled more precisely and undesirable trade-offs in plant design and operating efficiency can be avoided. Improved operating efficiency and better yields of fuel products could be achieved by future plants as a result of this research.

Another approach being pursued in FY 1983 is to separate the step in which coal is dissolved from the step in which the coal extract is upgraded to a higher-quality liquid -- an innovative technique called "Integrated Two-Stage Liquefaction." Bench-scale tests have shown that product yields can be increased by 25 percent over the direct liquefaction processes now at the pilot scale with higher quality liquids produced and less hydrogen being consumed. One of the major efforts in this activity will be to investigate a low-temperature second step that could prolong catalyst life while improving the recycle solvent needed for the dissolving step and to transport hydrogen to the coal extract.

Sufficient funds are expected to be available from FY 1982 to continue long-range liquefaction research at the Wilsonville, Alabama, 6 ton-per-day liquefaction facility in FY 1983. This unit is owned and operated by the Electric Power Research Institute which will supplement DOE funding during 1983.

In the indirect liquefaction area, a combination of laboratory and bench-scale efforts will concentrate on new methods of converting the carbon monoxide and hydrogen from coal gasifiers into alcohols or liquid hydrocarbons. A broad-based catalyst and process R&D program is now in place which could result in significant advances in the production of high quality gasoline and/or middle distillates with yields 20-30 percent higher than those of conventional methods. Testing will also be done on new reactor designs that enable closer control of the reaction temperature and more effective recovery of the heat released by the reaction. Research on these new concepts could lead to cost savings of up to 40 percent compared to existing indirect technology.

Transition to the FY 1983 funding level will require eliminating the La Porte, Tex., liquid phase synthesis unit. This facility would have tested alternative methods for producing alcohols and liquid hydrocarbons from gas typical of that from advanced coal gasifiers. Termination of this activity is an example of the judgments necessary when technologies with varying degrees of potential were balanced against the need to limit Federal spending. Given industry's technical understanding of this technology and the obvious economic incentives which would accrue to firms that perfect commercial processes, we believe there are adequate incentives for private industry to continue to develop this process. Our judgment is that more significant benefits could be obtained by investing Federal funds in the development of more effective catalysts and other process improvements.

Also in the indirect liquefaction activity, the internationally sponsored 100 barrel-per-day methanol-to-gasoline (M-Gasoline) pilot plant will be completed in the Federal Republic of Germany in FY 1982. In FY 1983, DOE will collect data on the effectiveness of the advanced "fluidizing" technique employed by the plant to improve temperature control and the effectiveness of the catalyst. Involvement of both the German government and industry and the high probability of royalty payments exceeding the U.S.'s investment in the project are the major reasons for proposing to complete this project.

Support studies and engineering evaluations will be conducted to provide independent technical status reviews, engineering assessments, evaluations of ancillary processes (such as hydrogen generation), and environmental and toxicology R&D and coordination.

To achieve a smooth transition from the FY 1982 program to the FY 1983 budget levels, the Administration intends to propose a redirection of FY 1982 appropriations to provide for the orderly termination of selected activities and to provide a source of financing for redirecting program activities. The specific transition actions proposed for FY 1982 are:

- Terminate Federally-funded operations at the H-Coal pilot plant in November 1982 rather than in December 1982 if an agreement can be reached to transfer the plant to the industrial partners; otherwise terminate operations in June 1982 rather than in July 1982 and begin dismantling the plant;

- Conclude government funding of the Exxon Donor Solvent pilot plant operations;
- Terminate the liquid phase methanol process development unit operations in May, 1982;
- Terminate the SRC-I demonstration plant project design following the expected delivery of the project baseline cost and schedule to Congress by June 1, 1982. Disposition of funds remaining from the $129.6 million deferred from FY 1981 will be addressed by a subsequent Administration proposal to Congress.

Surface Coal Gasification: (FY 1982 Appropriation: $ 53.088 million; FY 1983 Request: $ 10.500 million)

	FY 1983 Request (in millions)
Advanced Process Development	$ 4.250
Systems Engineering Concepts	
Gasifier systems	...
Equipment/instrumentation	3.000
Environmental and Engineering Analyses	
Environmental studies	3.250
Engineering analyses/support	...

To ensure that new concepts for converting coal into synthetic gas continue to enter the development cycle and that problems generic to many gasification processes are overcome, the Administration has established three primary objectives for its surface coal gasification program:

(1) explore and determine the applicability of alternative chemical processing principles and fluid dynamics as possible ways to improve the overall efficiencies and economics of coal gasification;

(2) develop new and promising approaches through the "proof-of-concept" stage for medium-Btu gas that could lower product costs by at least 20 percent as compared to first-generation processes. Medium Btu gas would be emphasized because of its wide diversity of applications including industrial and electric utility uses, conversion to a variety of liquid fuels as well as to synthetic natural gas, or for use as a feedstock for manufacturing chemicals; and

(3) compile a data base on environmental, worker health, and occupational safety performance of commercial and pilot-scale gasification systems and, based on the results, develop effluent treatment concepts capable of meeting existing emission limits as well as workplace safety and health requirements.

A comprehensive technology data base for new gasifier concepts and systems will be established under the advanced process development budget category. Included in the data will be information on process fundamentals, results of new waste water treatment techniques, computer modeling of gasification reactors, and the collection of basic information on all phases of coal gasification, from coal feed through gas cleanup and effluent disposal. The data will include test results from small entrained and fluidized bed reactor systems and could offer the basis for significant long-term improvements over conventional fixed bed gasifiers such as the dry-ash Lurgi. Particularly important will be data which could give new insights into why some coals cake during gasification as well as a more fundamental understanding and control of sintering, clinkering, and slag formation in various gasification systems. Basic experiments will also be conducted on waste water treatment processes and other environmental control systems associated with coal gasification processes.

Operating a coal gasification facility reliably, economically, and efficiently depends substantially on the availability of suitable equipment, instrumentation and control systems, as well as proper materials and fabrication methods. Previous pilot and smaller-scale operations have shown some inherent drawbacks in relying on equipment and technology from other industrial processes, due primarily to the unique combination of high temperature, high pressure, and the erosive and corrosive environments within coal gasification systems. The focus of the systems engineering concepts activity in FY 1983, therefore, will be to investigate new ways to measure key conditions encountered in a gasification facility, such as solids/gas flow, high temperatures, stream composition, erosion and corrosion in process lines, etc. This work will be performed in laboratory test loops. The effects of slag additives on gasifier refractory life will also be assessed in specially designed laboratory equipment, and generic studies will continue on metal coatings and claddings that can withstand the effects of hot coal gases.

No funding has been requested in FY 1983 for developing individual gasifier systems. Several advanced gasifiers have emerged from the prior Federal program, such as the Westinghouse fluidized bed gasifier, U-Gas, and the Exxon catalytic gasification system. The first commercial-size project, the Great Plains Gasification plant, is now moving forward, and knowledge gained from this facility as well as directed bench scale studies will be sufficient to optimize these new technologies. (The Government's monitoring of the Great Plains loan guarantee in FY 1983 will use funds left unspent from the Alternative Fuels administrative account. The anticipated FY 1983 requirement for administering the loan guarantee is $2.4 million.)

Emphasis was increased in FY 1982 on attaining a better understanding of the environmental aspects of converting coal into synthetic gas, and in FY 1983 that emphasis will continue. As part of the environmental studies effort, a gasification cleanup system will be operated under transient conditions and studies will be made to determine the efficiency losses associated with operating a cleanup system under actual end-use conditions. This is expected to lead to more effective designs of environmental control equipment.

As in the liquefaction program, several actions will be required in FY 1982 to ensure a smooth transition into the reduced program proposed for FY 1983. Specifically, these actions are:

- Terminate the Bi-Gas pilot plant operations beginning in May 1982, and place the facility in a "mothball" status;
- Terminate fixed-bed gasifier activities at the Morgantown and Grand Forks Energy Technology Centers in May, 1982, placing the gasifiers in a "mothball" status;
- Terminate the peat gasification work being performed at the HYGAS pilot plant and place the facility in a "protected stand-by/mothball" status, permitting $100,000 to be subsequently reprogrammed;
- Terminate the agglomerating fluidized bed development effort at the Westinghouse process development unit facility in May 1982, and place the facility in a "mothball" status; and
- Terminate the atmospheric entrained-bed slagging gasifier (Combustion Engineering) pilot plant program in May 1982, and place the facility in "mothball" status.

Underground Coal Gasification: (FY 1982 Appropriation: $ 8.256 million; FY 1983 Request: $ 0.700 million)

	FY 1983 Request (in millions)
Gasification Technology Development	$ ...
Environmental and Advanced Research	.700

Techniques that gasify coal underground are particularly applicable to coal seams that are too deep and thick or that are pitched at too great an angle for effective mining. Synthetic gas produced from this technique can be converted into transportation fuels such as methanol and gasoline, used as a fuel for electric power generation or as a feedstock for chemical manufacturing, upgraded to synthetic natural gas, or at some specific sites, as a generator of CO_2 for enhanced oil recovery and hydrogen for refinery use or shale oil upgrading.

In FY 1982, the concept of gasifying steeply dipping beds and producing a medium-Btu gas was proven at a site in Wyoming, and large block tests from a Washington coal seam will soon be completed to determine cavity growth and coal response. As a result, the need for futher Federal support of technology development has been diminished, and further technology development is expected to be undertaken by industry. Consequently, the Federal effort will concentrate on legally-mandated environmental monitoring and research at past test sites.

Advanced Research and Technology Development: (FY 1982 Appropriation: $56.256 million; FY 1983 Request: $19.800 million)

	FY 1983 Request (in millions)
Processes	$ 5.000
Direct Utilization	4.200
Materials & Components	
Materials	3.940
Components	.860
Program Development & Coordination	
Budget & administration (construction)	2.800
Environmental activities	2.000
Planning & policy	1.000
University coal research	...

The Advanced Research and Technology Development (AR&TD) program is aimed at extending the fundamental scientific and engineering knowledge base for fossil energy. In this activity, a better understanding is gained of the fundamental mechanisms of converting coal to gas and liquid fuels or burning it directly. Also included are generic studies of materials and components which have application across the fossil energy spectrum. In conducting these activities, scientists will hopefully develop ideas for new processes and possible technical breakthroughs in coal conversion and utilization.

The AR&TD program differs from other activities in the Coal program in that it addresses broad technological problems applicable to many facets of the Fossil Energy coal program. Yet, projects supported by the AR&TD budget remain closely connected to long-range Fossil Energy objectives, thus distinguishing the program from the more general mandate of the agency's Office of Energy Research.

Out of this activity, for example, has come a better understanding of coal chemistry, the structure of coal, and the role mineral matter plays in coal conversion. Innovative approaches for upgrading low or medium Btu gas to methane have emerged from AR&TD research, as did the pioneering work establishing the early viability of coal-water mixture combustion. The diversity of the research is reflected by the fact that this activity has also included studies of the mechanisms of soot formation from the burning of synthetic fuels, the identification of critical composition and microstructural aspects of ceramics, and the exploration of new approaches to recovering useable heat from effluent gas streams.

In FY 1983, the processes budget category will include work in both liquefaction and gasification. Small scale research in the liquefaction area will include studies of the generic mechanisms of coal liquefaction, in addition to research on advanced catalysts. Other projects will investigate the effects of mineral matter on the kinetics of coal liquefaction. The gasification activity, likewise, includes pioneering research across a broad technical front involving kinetics, thermodynamics, catalytic mechanisms, modeling, hydrogasification, pyrolysis, fluidization studies, acid gas removal, hot gas cleanup, gas separation, conversion studies, and novel concepts for generating synthetic gas by reaction with steam, air, and oxygen. These activities will generate important data which will be used to construct a sound fundamental synthetic fuels technology base

The direct utilization effort will expand the technology base required for the increased use of coal including low-rank coals, chars, beneficiated coals, and coal-liquid mixtures. Approximately 50 individual efforts will address areas such as fuel injections and preignition processes, flame chemistry, pollutant formation and control, fouling and slagging, and modeling and scaling techniques. Emphasis will be given in FY 1983 to developing a data base required for retrofitting oil and gas designed equipment for coal firing and expanding coal firing options in industrial process heat applications.

The materials activity will provide the data for future decisions on structural materials in fossil energy conversion systems and could lead to materials with higher efficiency and greater longevity. The program will attempt to gain a better understanding of the basic phenomena of material degeneration in fossil energy systems.

The components program will continue fundamental research into the peripheral and support equipment involved in fossil energy utilization. Specific research will focus on advances in analytical models of flow patterns when solids, liquids and gas are mixed (called "three phase flow"), the development of a thermodynamic base for heat exchangers and the development of scaling parameters for multi-phase flow systems.

The funding request for budget and administration includes $1 million for incremental funding of the construction and initial equipping and operation of a surface water containment and waste water treatment facility at the Pittsburgh Energy Technology Center so that current violations of waste discharge regulations can be corrected. The remaining $1.8 million is for a waste water treatment facility at the Morgantown Energy Technology Center and for other general plant projects at the Energy Technology Centers. The Department is currently planning a major consolidation of the Fossil Energy field structure, aimed at reducing the number of Energy Technology Centers from five to perhaps two. If, as a result of these actions, these general plant projects are not required, an amendment will be forwarded to the Congress.

Funding for environmental activities will finance policy development, R&D assessment and compliance overview in the areas of environment, safety, and health. This activity will ensure that fossil energy projects are conducted in compliance with relevant laws and regulations, such as the National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, and others. By involving environmental, health and safety concerns early in the technology programs, the future acceptability of new process concepts emerging from the Fossil Energy program can be assured.

Planning and policy funding will be used to conduct contract studies and data collection on a variety of fossil energy related topics which will be valuable for planning future research and development activities. Administrative support for the Fossil Energy program is also provided under this budget category.

No funds have been earmarked specifically for university activities in FY 1983 since government-supported university projects can be found throughout the Fossil Energy program and in other Departmental programs.

Combustion: (FY 1982 Appropriation: $ 30.544 million; FY 1983 Budget Request: $6.500 million)

	FY 1983 Request (in millions)
Atmospheric Fluidized Bed Combustion	$ ...
Pressurized Fluidized Bed Combustion	
IEA Grimethorpe PFB	2.500
PFB Technology Base Support	2.000
Alternative Fuel Utilization	
Alternate fuel mixtures	2.000

Industry has now assumed the lead in developing and marketing several new coal combustion techniques, including atmospheric fluidized bed combustion systems. At least 35 atmospheric fluidized bed boilers are now in operation, under construction, or being designed, and at least 10 boiler manufacturers are now developing or marketing commercial versions of this new combustion technology.

As a result, the Federal combustion research program in FY 1983 will concentrate on technology base research for pressurized fluidized bed (PFB) combustion and support for the international experimental pressurized fluidized bed facility at Grimethorpe, England. The pressurized fluidized bed approach represents the next generation of advanced coal combustors. The International Energy Agency's Grimethorpe program will focus on evaluating combustor performance, coal feeding, ash removal, and gas stream cleanup. This project has special significance because of the international cooperation it entails with Great Britain and the Federal Republic of Germany. Construction of the unit has been completed and the first test runs have taken place. The $2.5 million requested in FY 1983, along with funding from our international partners, is expected to be sufficient to develop a sound data base for the pressurized fluidized bed combustor, the heart of this advanced combustion concept. We will also continue to assist in efforts to interest other governments or industries in sponsoring the follow-on phase of the project which would include modifying the facility to incorporate a gas turbine.

While no funding is requested for the Wood-Ridge, New Jersey, pressurized fluidized bed facility, construction is continuing in FY 1982 and negotiations are underway to reduce Federal involvement in completing the construction and operation of this facility.

The PFB technology base support will concentrate on the basics of fluidized bed combustion at pressures of up to 20 atmospheres. Corrosion and erosion of various boiler and gas turbine materials will be studied, scale-up laws will be better defined, and an investigation of the effects of tube bundle solidity on heat transfer and studies of the combustion characteristics of coal-based mixtures and low rank coals will be conducted.

Industry has also assumed the initiative in commercializing coal-oil mixtures, in some cases using data generated in past government research programs. The alternative fuel utilization program, therefore, will focus on higher-risk coal-based slurry fuels, such as coal-water and coal-water-alcohol. Coal-water mixtures, particularly, have attracted substantial interest recently because of their potential for replacing 100 percent of the oil burned in a utility or industrial oil-designed boiler. Mixtures of up to 70 percent coal and 30 percent water have been shown to have storage, handling, and transportation characteristics compatible with conventional oil-handling equipment with only modest modifications. The Department recently selected two firms to perform a series of tasks intended to build a sound data base for industry to make future commercial decisions on coal-water mixtures. If this data, coupled with information developed by an on-going in-house research program, is successful in stimulating industry to move ahead on its own, as much as 3 million barrels per day of oil could be displaced in major fuel burning installations across this country.

Changes in the FY 1982 Combustion Systems program are also being proposed to provide a source of funds for the transition from FY 1982 to FY 1983. Specifically, these proposed actions are:

- o Renegotiate the contract for the PFB Combined Cycle pilot plant project at Wood-Ridge, NJ, to increase private industry funding for construction completion and operations;
- o Terminate the PFB alternate turbine test activities;
- o Terminate the advanced combustion technology program;

Control Technology and Coal Preparation: (FY 1982 Appropriation: $ 25.152 million; FY 1983 Request: $ 8.600 million)

	FY 1983 Request in millions
Coal Preparation & Analysis	$ 2.000
Flue Gas Cleanup	
Combined flue gas cleanup	3.000
Gas Stream Cleanup	
Turbine cleanup systems	1.500
Fuel cell cleanup systems	1.200
Process modification technology	.500
Cleanup Base Technology	.400

The economics of producing energy from coal are penalized by sulfur and ash-forming impurities in the coal. Added costs are incurred in transportation, capital investment, operation and maintenance, impaired plant reliability, environmental control, and waste disposal. Today's commercial coal users are limited in their methods of removing these impurities. Significant benefits could be gained if future plant operators could make tradeoffs between a wider variety of coal preparation methods applied before coal is shipped, and improved combustion gas clean-up systems installed at the plant site. To assist industry, therefore, the Federal R&D program has been restructured to treat the entire coal cleaning process -- from mine to stack -- as successive, interdependent steps.

The first step in this "control systems" approach is to remove sulfur and ash from coal by precombustion cleaning, or coal preparation. The more of these impurities that can be removed, the greater the potential savings in transportation, power generation, and environmental costs. Many U.S. coals resist extensive cleaning unless they are ground considerably finer than present day technology allows. Our goal is to develop techniques to grind coal as much as 60 times finer than is common in today's coal preparation plants. Once this is done, fine coal physical cleaning can remove the bulk of ash-forming minerals and the mineral sulfur or iron pyrite in coal. An even higher quality product can be obtained by extracting most of the remaining organic sulfur (which is chemically bound to the coal structure) and residual mineral matter by chemical cleaning.

The Federal program addresses these challenges. Our efforts are intended to aid the private sector in developing methods to clean even inferior U.S. coals to qualities approaching fuel oil. Our research to date gives us strong encouragement that this can be done. If we establish the necessary firm technology base and validate cost-effectiveness through creditable "proof-of-concept" engineering tests, the private sector will move ahead to full commercial development. Two advanced chemical methods, microwave desulfurization and fused salt treatment, appear particularly promising and development of both will continue in FY 1983.

With industry assuming much of the initiative in moving new flue gas desulfurization technologies -- or "scrubbers" -- into commercial practice, the Federal program is now focusing on a significantly more advanced generation of flue gas cleanup systems. Emphasis is being placed on electrochemical or chemical systems which simultaneously remove both NO_x and SO_2 in a single reaction, rather than in a series of separate steps as is the practice today. The FY 1983 budget would continue research on electron beam irradiation and advanced chemical processes begun in 1981. University-level testing of advanced particulate control will also continue.

To improve the prospects for new combined cycle generating systems powered by synthetic gas from coal or the exhaust from a coal-fired pressurized fluidized bed combustor, government research will also continue in turbine cleanup systems. Efforts in FY 1983 will continue projects begun in prior years to improve methods for removing alkali and particulate impurities from hot (up to 2400 degrees F), high pressure (500 psi) gas streams before they can damage conversion cycle equipment and/or violate environmental emissions standards. "Proof of concept" tests will be conducted under actual pressurized fluidized bed combustor conditions using a variety of coals.

The aerodynamics/materials problems associated with high-speed turbomachinery do not exist when coal gasifiers are linked to the molten carbonate fuel cell. The fuel cell, however, is susceptible to electrode poisoning and/or deterioration, and electrolyte contamination. Therefore, the Control Systems program also includes a fuel cell cleanup system activity to quantify the limits of contaminants acceptable to the molten carbonate fuel cell, to evaluate the applicability of state-of-the-art gasifier cleanup systems to fuel cells, to determine the incentives for developing high temperature fuel cell cleanup processes, and to build the technology base so that industry can develop the most appropriate cleanup systems.

An alternative to flue gas cleanup or the use of separate cleanup equipment for hot gas cleanup may be to modify the combustion or gasification process itself to either suppress pollutant formation or remove the pollutant as it is formed in the gas. This approach is being pursued under the process modification technology budget category. To determine the most desirable approaches, a better understanding is needed of the mechanisms by which pollutants are formed along with their chemical make-up. Once specific control techniques are conceived, they must undergo technical and economic feasibility tests to determine the requirements for further development. In FY 1983, an assessment of the most desirable NO_x control techniques, centering on combustion modification and catalytic combustion, will be completed. Guidelines for selecting physical/chemical techniques for SO_2, alkalies, trace metals, and hydrocarbon capture or destruction will also be determined.

The cleanup base technology activity has been revised to focus on combustion system waste management and characterization, and will emphasize two projects: waste sampling and characterization, and assessments of the Resource Conservation and Recovery Act and other environmental regulation impacts on coal-fired utilities.

Fuel Cells: (FY 1982 Appropriation: $34.464 million; FY 1983 Request: $ 9.500 million)

	FY 1983 Request (in millions)
Phosphoric Acid Systems Development.........	$ 5.000
Molten Carbonate Systems Development........	3.500
Advanced Concepts..........................	1.000

Because fuel cells generate electricity and heat by electrochemical reactions, and not by combustion, they have particularly attractive environmental, efficiency, and siting flexibility benefits. Applications range from electric utility multi-megawatt power plants to on-site multi-kilowatt cogenerating systems for transportation and defense facilities.

During FY 1982, power will be produced from the nation's first prototype utility fuel cell, the 4.8 megawatt phosphoric acid demonstrator power plant in New York City, and development will continue on critical technology components and subsystems required to improve system life, power density, and costs. Also, the first field tests of the 40-kilowatt on-site power plants will begin, and the first 40-kilowatt systems will be delivered under a joint DOE/Gas Research Institute field test program. The FY 1983 phosphoric acid systems development program will complete the retrofit of the fuel cell stack for the 4.8 megawatt power plant and will provide funding for completion of development activities for the electric utility technology development program. Phosphoric acid fuel cell technology has reached the stage where the private sector can now begin assuming responsibility for manufacturing and marketing the technology.

Second generation molten carbonate fuel cell systems development will also continue in FY 1983 with emphasis on critical technical issues. While both phosphoric acid and molten carbonate fuel cells can be linked to a coal gasifier, a particular advantage of the molten carbonate system is that it can be combined with a steam or a gas turbine thereby boosting the system's overall efficiency. In FY 1983 a selected stack of sub-scale size molten carbonate fuel cells will be operated, a commercial-type cell will complete long-duration test operations totaling 10,000 hours, and an evaluation of the system's capability to operate on coal-derived gas will be undertaken.

The advanced concepts program focuses on the solid oxide fuel cell, a design concept which offers the advantages of solid state stability and more simplified production. The funding requested in FY 1983 would complete a 5,000 hour test of an advanced design cell, permit preliminary design of a 5-10 kilowatt stack module, continue follow-up analysis and development of advanced concepts for mobile applications, and complete the initial R&D requirement for solid oxide fuel cell configurations.

Heat Engines: (FY 1982 Appropriation: $ 15.408 million; FY 1983 Request: $ 0)

The Heat Engines program in prior years contained a variety of associated activities, including the high temperature gas turbine cooling and low NOx combustor technology; gas turbine and diesel engine materials and coating development, externally fired heat engine cycle work, and feasibility testing of diesel engines and gas turbines on coal-derived liquids and coal-water mixtures.

These activities are approaching the "proof of concept" point where the private sector is provided the option to continue further development. Many of the technology improvements supported by this program could eventually be undertaken by manufacturers as they make advances in existing technologies. Therefore, no funds have been requested in FY 1983 for continuing this program.

In conjunction with the planned termination of this program, funding originally intended for Phase III of the High Temperature Turbine Technology Program has been proposed for deferral.

Magnetohydrodynamics (FY 1982 Appropriation: $21.840 million; FY 1983 Request: $ 0)

The Administration also proposes to phase out the overall magnetohydrodyamics (MHD) program beginning in FY 1982, and no funds are requested for FY 1983. MHD is a technology that requires a large-scale "proof of concept" demonstration (in the range of a 250 to 300 thermal megawatt facility) with attendant development costs approaching perhaps $500 million. In light of budgetary constraints, the multiple energy conversion technologies presently being pursued by both private industry and the Fossil Energy program, and the relatively high development costs and relative expected benefits of MHD, the Administration cannot continue funding support for this technology.

Under this budget proposal, termination actions would begin in May 1982. The advanced power train development program would be brought to an orderly conclusion during FY 1982 and serve as the focal point for consolidating the key technical data which may subsequently be of use to government and private industry. The Component Development and Integration Facility in Butte, Montana, and the Coal-Fired Flow Facility in Tullahoma, Tennessee, would be placed in a "mothball" status. By beginning these actions in May, sufficient funds would be available to fund termination liabilities and facility mothball costs in addition to providing funds for deferral and subsequent redirection.

PETROLEUM

The target for recovering new supplies of oil in the U.S. is extremely large. Nearly 450 billion barrels of oil have been discovered, yet only one-quarter of that has been produced. Best estimates are that 28 billion barrels of reserves remain to be produced through conventional recovery methods. To date, the contribution of enhanced oil recovery has been roughly 400,000 barrels per day, nearly three-fourths of which is produced by steam injection in heavy oil reservoirs. Over the longer-term, however, enhanced oil recovery is expected to increase, particularly with the incentive of decontrolled oil prices. The focus of the Federal research effort, therefore, is to concentrate on more generic technology base research, leaving to industry the task of bringing technology to commercial readiness.

Oil shale is another potential source of unconventional petroleum supplies. Several retorting processes are considered commercially feasible today. The companies involved in oil shale projects have the financial and technology resources to commercialize existing and new technologies. Therefore, the government's efforts will concentrate on generic research on the chemistry and physics of western oil shale processing and on explosive fracturing. Work will also continue on the potential environmental effects of oil shale development and their mitigation.

Enhanced Oil Recovery (EOR): (FY 1982 Appropriations: $ 16.176 million; FY 1983 Request: $5.8 million)

	FY 1983 Request (in millions)
Heavy Oil	$ 1.9
Light Oil	3.9
Tar Sands	...

Because private industry can be expected to continue to improve existing EOR proceses and eventually to develop new concepts in response to oil price increases, the Federal EOR program is now directing its primary emphasis on long-range, high-risk technology base research that attract limited private capital.

The heavy oil program will continue to concentrate on improving the recovery efficiency of thermal processes. If recovery efficiency can be improved from the current 50 percent to a level of 60 percent, an estimated two to three billion barrels of oil could be added to the nation's recoverable reserves. Similarly, if heat losses can be reduced in wellbores, thereby permitting steam to be piped to deeper reservoirs, domestic reserves could be boosted by one to two billion barrels. In FY 1982, the long-term test of the downhole steam generator, part of Project Deepsteam, will be completed. The significant private sector interest in this concept has eliminated the need for additional development by the Federal government. The FY 1983 funding request, therefore, provides for continued research into the behavior and mechanisms of heavy oil recovery. Research would continue to investigate flow properties, the kinetics of in situ combustion, and steam mobility control. Evaluations of chemical additives with steam and studies of foams and other ancillary materials for improving sweep efficiency, mobility control, and environmental effects would also continue.

The light oil funding request, likewise, would continue fundamental research into the behavior and mechanisms of light oil EOR processes, including chemical and miscible gas flooding. Research will be conducted into mobility control, the interfacial tension effects between oil, chemical, and water molecules, the stability of chemicals at the elevated temperatures and increased brine salinity encountered underground, basic studies on how oil drops coalesce, and in several other areas. The research will be conducted in-house and at several universities, and several ongoing, previously funded, cost-shared field tests will continue to be monitored.

The private sector has adequate incentive to continue development of tar sands in view of the current state of the technology, the decontrol of oil prices, the existence of the Synthetic Fuels Corporation, and recent regulatory changes allowing tar sand leasing on Federal lands. Therefore, no further federal R&D is warranted and no funding has been requested for FY 1983. Activities related to the in situ tar sand experiments at Vernal, Utah would be phased down and concluded in FY 1982, permitting the deferral of $500,000 to be used for subsequent reprogramming.

Advanced Process Technology: (FY 1982 Appropriation: $ 4.032 million; FY 1983 Request: $ 3.000 million)

	FY 1983 Request (in millions)
Advanced Exploratory Research	$ 3.0

A variety of generic and fundamental supporting research activities related to oil, gas, oil shale, and tar sand resources are conducted under this budget category. For example, a portion of the Advanced Exploratory Research budget will permit continued experimentation on the use of microbes for enhanced oil recovery. Researchers will attempt to identify and isolate microbial strains that can survive and generate through a biological process, surfactants, polymers, emulsifiers and other chemicals under reservoir conditions. Research will also be done on advanced recovery methods using vacuum extraction, superheated water, and novel solvent products. Studies to remove mutagenic, carcinogenic, and other toxic products from heavy crudes, tar sand bitumen, and shale oil will be pursued, as well as supporting research into the stability, degradation mechanisms, and rheology of synthetic fuels. Analytical support will also be provided to the Strategic Petroleum Reserve Office.

A variety of "cross-cutting" research applicable to all petroleum-related programs will also be conducted. This will include efforts dealing with rock mechanics, improved analytical methodology, and instrumentation for studying the physical and chemical properties of fossil derived liquids and for aiding in the extraction of gas from tight reservoirs. Another aspect of this program involves fundamental research into the existence and magnitude of abiogenetic methane and methane hydrates, as well the evaluation of the potential for recovering these unconventional resources.

Oil Shale: (FY 1982 Appropriations: $19.152 million; FY 1983 Request: $6.300 million)

	FY 1983 Request (in millions)
Technology Base.............	$ 3.700
Environmental Mitigation.....	2.600

Oil shale technology is now making the transition from laboratory and pilot scale testing to the first commercial applications. Initial private sector activities are concentrated in the western U.S. where the richest reserves of oil shale lie. Substantial lower quality resources also exist in the eastern states. Together, the oil potential represented by U.S. oil shale deposits is much greater than all of the oil reserves of the Middle East.

As privately-initiated projects continue to move forward, the Federal program will limit its oil shale technology base activities to generic research on the chemistry and physics of western oil shale processing and on explosive fracturing. If a better understanding can be developed in these areas, future oil shale processes could achieve significantly higher conversion efficiencies and fracturing could be done with greater predictability. Examples of this work include the development and application of improved X-Ray, nuclear magnetic resonance, and other analytical techniques for application to shale oil products and chemical reactions. Funding for previous development and demonstration projects, conducted under cost-sharing contracts, will be completed in FY 1982, and the FY 1983 budget level represents the winding down of related evaluation activities, phase out of further technology base research on eastern shales, and postponement of R&D on specific process concepts.

While the first shale oil production plants will be able to comply with current environmental standards using conventional technology, the long-term accumulation of such facilities in environmentally-sensitive areas could require improvements in environmental control technologies. Therefore, a prime focus of the Government's research program will deal with environmental mitigation. The proposed budget would permit a study of the relationship between process conditions and the efficacy of sulfur removal as well as the chemistry of formation and control of other air emissions. Also, laboratory experiments would be continued to develop solid waste management strategies, including the preparation of an integrated solid waste management plan. Studies would also continue on potential water purification techniques, and a waste pile stabilization plan would be completed for the government-owned Anvil Points facility in Colorado.

Two revisions are also proposed in the FY 1982 budget. Government participation would be concluded in the Geokinetics oil shale project cooperative agreement, and remaining funds have been proposed for deferral. Also, the solicitation for proposals involving innovative eastern shale conversion concepts would be cancelled, permitting additional funds to be used for subsequent redirection.

GAS

Natural gas currently supplies about one quarter of the total energy consumed in the U.S. While the annual addition of gas reserves from new discoveries has been less than withdrawals from proved reserves for almost the last decade, the difference between additions and withdrawals has decreased steadily as exploration has picked up with phased energy price decontrol.

The Federal research role in this area has historically concentrated on unconventional sources of natural gas such as eastern shales, western tight sands, and coalbed methane. Industry efforts are now increasing in these areas, and the private sector has both the financial and technical resources to develop these new gas resources in response to market incentives. Consequently the unconventional gas recovery program has been scheduled for termination in FY 1983.

Unconventional Gas Reccvery: (FY 1982 Appropriation: $8.712 million; FY 1983 Request: $ 0)

Industry has already begun to develop western tight blanket sands. As that technology evolves to cover the more difficult lenticular deposits, production from this resource should increase. And because there is a strong link between unconventional technology development and economic incentives, Federal activities in this area can begin to phase down. The resource evaluation for eastern Devonian shales is essentially complete and final verification of the results is expected to be done by industry. Thus, all geologic resource assessment activities will be phased down in FY 1982 and will no longer be supported by this program. Previous government-funded activities have demonstrated that methane can be extracted from coalbeds and used both with and without associated mining operations. The industry is better qualified to deal with barriers to commercial production and gas ownership; therefore, no funds are requested for this program in FY 1983.

Work in FY 1982 will be confined mainly to bringing the multiwell test in the western lenticular tight sands to a successful completion. To achieve a smooth shutdown of the Federal unconventional gas program, the Administration is proposing to cancel the third well of the multiwell project and eliminate all research dependent upon that well. Research at the site will be completed in FY 1982 with termination in FY 1983 or transfer of the project to industry, and remaining FY 1982 funds have been proposed for deferral.

PROGRAM DIRECTION

The FY 1983 request of $9.0 million for program direction ($8 million for the Coal program and $1 million for the Petroleum program) will provide funds for salaries, benefits and travel for Fossil Energy headquarters personnel during the fiscal year. Funding of these expenses for the Energy Technology Centers is provided in the program activities they support, not from the Program Direction line item.

CONCLUSION

In the past the Federal government has focused heavily on budgetary spending for fossil energy. In focusing on federal spending, the government in our view, failed to deal with the basic problems affecting energy in this country. For example, past policies artificially held the price of oil and natural gas below market levels. This discouraged the use of substitute fuels such as coal and also discouraged energy conservation and further discovery of oil and gas. The alternative approach, proposed by the President, involves a much broader strategy regarding energy and the overall economy. The funding proposed for the Fossil Energy programs should be judged in the context of this broader strategy involving less government spending, regulation, and taxation to achieve a simple energy policy objective -- the encouragement of efficient production and use of domestic energy resources.

The fossil energy budget we have proposed is part of an overall Federal energy budget that will save the American taxpayer nearly $10.5 billion by the end of FY 1983 compared to what the previous Administration intended during the same period. As President Reagan said in his State of the Union message, reducing Federal spending is one of four "common sense fundamentals" of our Economic Recovery Program.

We ask this Committee to weigh our budget proposal in the same spirit and with the same contructive purpose as was evidenced last year. Through an open dialogue, we hope to show that this budget represents a realistic approach to building a sound knowledge base from which the fossil energy industry can select, further develop, and commercialize the technological options it deems most appropriate to meet our energy needs most efficiently.

ADDITIONAL COMMITTEE QUESTIONS

Private Industry Intentions to Take Over Projects Terminated by DOE

Question: For the record, please identify private industry's intentions to take over each of the project areas proposed for termination by DOE.

Answer: It is premature to be optimistic or pessimistic as to industry's intent to continue the projects that have been proposed for termination/conclusion or to identify which discussions are most promising. Although we do not have positive assurances from the discussions that are currently in progress with the private sector, we are hopeful that industry will opt to continue at least three or four of the projects subsequent to their termination. However, it should be noted that we will not know the full degree that industry will continue these efforts until DOE has withdrawn from the projects and adequate time is permitted for the market place to influence the appropriate economic factors that will ultimately determine the technologies that industry will be willing to further develop and subsequently commercialize.

The intention of private industry to take over each of the projects proposed for termination as it is currently known is as follows:

Project	Private Sector Interest to Takeover Project
H-Coal Pilot Plant	Negotiations are progressing with Ashland Synthetic Fuels, Inc. (ASFI) regarding the transfer of title of the pilot plant. However, the potential outcome is still uncertain.
Exxon Donor Solvent Pilot Plant	DOE has successfully negotiated with the private sector participants to redistribute royalty rights to permit the completion of the planned test program. This rescoping will permit an orderly phase out of the project and reserve sufficient government funds to pay its share for the dismantlement of the facility.
PFB Alternate Turbine Testing	This program will not be initiated pending outcome of renegotiations with Curtiss-Wright regarding private sector involvement with PFB Combined Cycle pilot plant.
High Temperature Turbine Phase III	Future private sector involvement is expected in this area. Discussions have been held that suggest that Phase III activity may be conducted although a different technical approach will be utilized. A redirected program will continue aimed at exploring materials and component concepts.
Peat Gasification at HYGAS Plant	The Institute of Gas Technology has indicated an interest in this facility. Discussions regarding the transfer of title of the facility and continued R&D operations have been initiated.

Project	Private Sector Interest to Takeover Project
Atmospheric Entrained-Bed Slagging Gasifier	This project is being closed out on its planned expiration date rather than terminated prematurely. All project objectives that are attainable with the existing equipment have been met and the design is developed to a point where private industry can complete any design refinements and scale-up activities.
Tar Sands In Situ Experiment	No discussions with the private sector have been conducted to date in regard to their continuing R&D activities in this area. However, possible SFC involvement, leasing of federal lands with tar sands deposits, and advances in thermal stimulation technology all point to potential private sector involvement in field projects of this nature.
Underground Coal Gasification	Technology development in underground coal gasification has advanced to the point whereby the private sector can continue the necessary development efforts for resource utilization without government involvement. Specifically, the successful proof-of-concept for steeply dipping coalbeds has diminished the need for further Federal support and several major energy companies have acquired the government data and test results.

The following projects will be continued through FY 1982, however, no funds are included in the FY 1983 Fossil Energy budget for these items, making their future highly uncertain.

Project	Private Sector Interest to Takeover Project
Liquid Phase Methanol PDU	DOE is not actively negotiating with private sector interests to continue this activity since there are no indications that the private sector will, in the near term, carry out the proof-of-concept work.
PFB Combined Cycle Pilot Plant	DOE is presently attempting to renegotiate an agreement with Curtiss-Wright to increase their share of the cost and to cap government funding.
High Temperature Turbine Phase III	Future private sector involvement is expected in this area. Discussions have been held that suggest that Phase III activity may be conducted although a different technical approach will be utilized. A redirected program will continue aimed at exploring materials and component concepts.
Adv. Combustion Tech.	DOE does not have, at this time, indications that R&D activities conducted in this area will be picked up by the private sector.
MHD	DOE does not have, at this time, positive indication that the private sector is willing to undertake the expense of continuing MHD development activity. However, industry, the academic community and other government agencies will have the opportunity to acquire the facilities and equipment through standard government property disposal procedures.

Project	Private Sector Interest to Takeover Project
Bi-Gas Pilot Plant	At present, interest in further development of the Bi-Gas project has been limited to general discussions with Koppers Babcock Wilcox Corporation to conduct development work on their gasifier at the Bi-Gas site. Their very preliminary proposal involves two options which range from $11 to $28 million. It is our understanding that a significant portion of these costs would have to be borne by the government.
Fixed-Bed Gasifier	At the present time, DOE does not have any indication or expression of interest from the private sector regarding future additional R&D activity in this area.
Agglomerating Fluidized-Bed Effort	Transfer of the facility to the contractor, Westinghouse, under appropriate terms and conditions is being considered. Should this transfer not take place, "mothballing" or dismantlement of the facility will occur.

H-Coal and EDS Pilot Plants

Question: Earlier we discussed a number of projects slated for termination. Among those, of course, are the H-Coal pilot and the Exxon donor solvent pilot plant. Construction of both plants was completed in FY 1980 and a number of engineering tests have since been conducted at both. Can you briefly describe the tests that have been conducted and indicate what the general results were? In the opinion of DOE, what testing remains to be done at these facilities which is necessary for support of commercialization? How much do you believe these tests will ultimately cost and how long will it take to conduct them?

Answer: The H-Coal pilot plant has operated successfully with Illinois #6 in the syncrude mode and the information obtained from the test runs has been incorporated into a commercial design. The plant is currently processing Wyodak coal in the syncrude mode. Completion of these tests (June 1982) will result in the establishment of design points for the two coals tested. In addition to the two coal tests, there have been specific equipment tests in areas such as letdown valves, pumps and other critical equipment items.

The H-Coal project was one of the five synthetic fuel projects recently selected by the Synthetic Fuels Corporation as finalists in the latest round of project cuts. Therefore, it is believed that no additional tests are required to be performed with government funds to support commercialization.

To date, the EDS pilot plant has been operated to test and evaluate two of the three coals included in the original test plan. These tests are summarized below:

- o Illinois #6 coal in the once through mode
- o Illinois #6 coal in the bottoms recycle mode
- o Wyodak coal in the bottoms recycle mode

These tests have resulted in the establishment of design points for the liquefaction section of the plant for the two coals tested.

Additional tests on lignite coal are scheduled to begin in May, 1982 and be completed in September, 1982. These tests will be conducted and funded by the industrial participants without DOE participation or funding, and will complete the required data base for the commercial design as originally planned.

No further government funding is required.

Flash Pyrolysis

Question: According to your justification, research related to the liquefaction of coal by flash pyrolysis will be completed during fiscal year 1982, and a number of tests concerning parametric effects and product quenching, among other areas, will be conducted. What is the current status of these activities? What positive results do you expect this research will have on reducing costs associated with direct liquefaction technology? Is this research in a position that it should be concluded, or are there other tests that logically should follow what has already been done?

Answer: Research activities relating to the liquefaction of coal by flash pyrolysis are currently being ended in FY 1982. This research is being concluded because the process has severe drawbacks in several key areas. Results from studies to date on parametric effects and product quenching have not been encouraging and do not overcome the process drawbacks. The research has demonstrated a primary disadvantage in that both liquid yield and quality from flash pyrolysis are inferior to those from other direct liquefaction processes. It is not likely that these drawbacks can be eliminated with further process development work. Sufficient data have been obtained from flash pyrolysis research upon which to base the decision to terminate. Continuation of this research cannot be expected to lead to significant reductions in costs associated with direct liquefaction technology.

SRC-I

Question: Please provide for the Committee an update of the ongoing negotiations between DOE and the sponsors of the Solvent Refined Coal-I (SRC-I) project. Do you anticipate that any funds appropriated for this project in prior years will remain unexpended at the end of fiscal year 1982?

Answer: The International Coal Refining Company, the prime contractor for the SRC-I project, has completed the project baseline proposal and independent assessments are being made of this baseline proposal. A summary package of the baseline proposal will be delivered to Congress on June 1, 1982. If the project is terminated, there will be unexpended funds remaining at the end of FY 1982.

Question: Is it possible any of these funds will eventually become available for rescission or reprogramming to other areas? Has DOE made any determination of where these might be used if a reprogramming request is submitted to Congress?

Answer: It is possible that these funds will eventually become available for rescission or reprogramming; however, DOE has made no final determination at this time. It is anticipated that these unexpended funds will be the subject of a future Administration proposal.

Combustion Systems

Question: Moving to the Combustion Systems activity, your budget request for FY 1983 appears to all but eliminate atmospheric fluidized bed and pressurized fludized bed development. This, it seems, may effectively curtail the completion of proof-of-concept testing for all but the Grimethorpe PFB plant, which is scheduled to receive 4 million, 500 thousand dollars -- or roughly half of last year's appropriation. As a result of these significantly reduced AFB and PFB budgets, do we face a greater possibility that imported, foreign clean-burning coal technologies will substitute for our domestic technologies? Is it possible exported American Coal will become less attractive compared to European coal? In the long run, are either of these possibilities beneficial to U. S. Industry?

Answer: We believe the FY 1983 budget request for Combustion Systems sets forth a balanced R&D program which will continue to place the U.S. in a leading position in coal utilization technology development and export. In the area of technology development, there are ten U.S. boiler manufacturers offering commercial versions of atmospheric fluidized (AFB) boilers and there are at least 35 AFB boilers in operation, under construction, or being designed. The Department of Energy, therefore, believes that conventional AFB boilers are commercial and is bringing the AFB demonstration program to a logical conclusion in FY 1982. We are continuing to evaluate advanced AFB systems.

The FY 1983 request of $4.5 million for the pressurized Fluidized Bed (PFB) program is divided into two main areas: $2.0 million for technology data base, and $2.5 million for the Grimethorpe project. The $2.0 million for the technology data base will be used to continue operating the test rig at Leatherhead, U.K., and complete construction of the NYU facility. FY 1982/1983 activities will also evaluate advanced PFB concepts.

The Department has also been active in promoting the export and use of coal internationally. DOE has been active within the International Energy Agency (IEA) with respect to increasing the export of coal with emphasis on steam coal. In addition the Administration issued in July 1981 a coal export policy statement which underlined its commitment not to interrupt coal trade except in a case of severe national emergency. The Administration also is encouraging the expansion and improvement of coal handling and loading facilities as well as the improvement of ports and channels. Considering the Administration's current policies of promoting the export and use of U.S. coal and continuing long term R&D on coal utilization we see no possible detrimental effects on U.S. Industry. On the contrary, we believe only positive aspects can accrue to U.S. Industry based on the current policies.

Question: What went into DOE's decision to provide 4 million, 500 thousand dollars to the Grimethorpe project? Wasn't DOE originally planning to provide up to 6 million 500 thousand dollars?

Doesn't the reduction in this regard on the part of the U. S. also mean Great Britain and West Germany will reduce their contributions accordingly? What activities will not be conducted at the Grimethorpe facility as a result of the reduced contributions of the three partners?

Answer: The U.S. DOE budget request for the IEA Grimethorpe project is $2.5 million in FY 1983. This is less than the original $6 million planned; however, the request is adequate to allow the U.S. to complete its participation in the revised test program. The U.S. remains committed to the completion of a viable program at Grimethorpe. With a reduction of U.S. funds it is assumed that both the U.K. and FRG would reduce their obligation by a similar amount. The U.S., U.K., and FRG have agreed to a revised test plan combining test series 2 and 3 and reducing the scope of test series 4. We believe that a slightly scaled-down test program which has been devised will still provide substantial and adequate data to U.S., U.K., and FRG industry.

Magnetohydrodynamics

Question: With respect to Magnetohydrodynamics, how much financial support has been made available by the Federal government since the program started? Similarly, how much financial support has been made available by private industry?

Answer: Approximately $420 million in Federal funds has been expended on MHD development since the inception of the program through the current fiscal year (see Attachment A).

The U.S. private sector investment in MHD is difficult to quantify precisely, since in some cases it involved proprietary or internal corporate development programs. However, a gross estimate of the total private industry investment in MHD since the early 1960's (including construction of facilities applicable primarily to MHD R&D), would be in the range of 20 to 30 million dollars. In the past, private sector investment in MHD involved multi-million dollar investments by TRW in the fossil energy test facility primarily used for MHD R&D, by companies such as AVCO Everett Research Laboratories in internally funded R&D activities, and by the Reynolds Metal Corporation (RMC) in a substantial corporate MHD R&D program (the internal funding for which has been treated as proprietary data). In addition to EPRI funded MHD R&D,

recent private sector MHD R&D in the U.S. has been primarily in the form of studies and proposed cost-shared projects such as a study commissioned by the state of Montana, a project by Southern California Edison Company involving a conceptual design of a small early commercial MHD power plant, and a proposal submitted to the Department of Energy and the Synthetic Fuels Corporation by the Montana Power Company to conduct a cost-shared commercial feasibility study for integrating a MHD power system into a conventional power plant which would be operational starting in the early 1990's.

ATTACHMENT A

Since FY1971, approximately $420 million has been appropriated for MHD systems development. However, the total funding during the period that the MHD program resided within the Office of Coal Research (1971 - 1975) amounted to about only $25 million. The major MHD development activities were not initiated until the 1975/1976 time period, with the formation of the Energy Research and Development Administration. The approximate specific funding by fiscal year was as follows:

FY1971:	**$ 0.6 million**	**FY1977:**	**$40.0 million**
FY1972:	**$ 1.0 "**	**FY1978:**	**$71.5 "**
FY1973:	**$ 3.5 "**	**FY1979:**	**$77.0 "**
FY1974:	**$ 7.5 "**	**FY1980:**	**$79.0 "**
FY1975:	**$14.3 "**	**FY1981:**	**$61.0 "**
FY1976:	**$37.3 "**	**FY1982:**	**$27.8 "**

The funding summary by specific technical program elements is approximately the following:

I. Facility Construction and Activation (including test articles)	
A. CDIF (activated 10 Feb 1982)......	**$108 million**
B. CFFF (activated 8 Dec 1981).......	**$ 46 million**
II. Component Development in Support of CDIF/CFFF Engineering Qualification Tests	
A. Coal Combustor Development........	**$ 25 million**
B. MHD Channel Development........... (including AEDC facility construction)	**$ 60 million**
C. Superconducting Magnet Development	**$ 35 million**
D. HRSR (steam bottoming cycle, seed recovery, and emission control)	**$ 20 million**
III. MHD Plant Design & Analytical Modeling	**$ 20 million**
IV. Supporting Research....................	**$ 50 million**
V. Closed Cycle MHD Research.............	**$ 10 million**
VI. US/USSR Program.......................	**$ 20 million**
VII. Field Management and General Support..	**$ 26 million**
GRAND TOTAL...........	**$420 million**

Question: As indicated in your justification, the goals of the MHD program are to: (1) achieve overall coal-to busbar energy conversion efficiencies in the 50% range; (2) meet or better all existing or proposed Federal standards for nitrogen and sulfur oxides, and particulate emissions with reduced thermal pollution; (3) achieve a lower cost of electricity; and (4) attain high plant availability and reliability. By the end of fiscal year 1982, how many of these goals will be partially or totally met? For the record, please provide a detailed analysis of how far the project has proceeded towards meeting each of the four goals.

Answer: In terms of the broad performance and economic goals or targets, historically, the ultimate demonstration of both performance and economic goals was associated with the operation of the planned 200 MWe-scale "proof-of-concept" or demonstration plant, labeled the ETF.

From an energy conversion efficiency viewpoint, the enthalpy extraction attained in MHD channels (through a scale of 300 MWt) is consistent (when adjusted for scale) with MHD combined cycle plant efficiencies in the range of 42-44% for early commercial systems, to 48-55% for mature systems. The performance of other tested MHD components were also in the required general range -- e.g., 9-10% heat loss in the 20 MWt-scale coal combustor.

The MHD bottoming cycle (of a combined cycle plant) or the HRSR (Heat Recovery/Seed Recovery) system is utilized to control emissions. Consistent analytical and experimental data has been generated to date showing the ability to reduce NO_x, SO_x, and particulate emissions in the MHD process to below the present EPA New Source Performance Standards (NSPS). A 10 MWt scale MHD HRSR system has been operated with the direct combustion of Illinois #6 coal attaining experimentally measured values for the cited effluents within NSPS standards. A 28 MWt scale MHD HRSR system has been made operational at the DOE CFFF MHD test facility in Tullahoma, Tennessee. Preliminary test data at reduced mass flow showed NO_x and SO_x levels in the range of 0.2 and 0.3 lbs/MBTU (well within NSPS limits). Additional test data is needed, particularly at full flow conditions and with a particulate capture system (i.e., ESP or baghouse) installed.

A substantial investment has been made in MHD plant analyses, including economic evaluations. Such evaluations, for any advanced technology prior to any experience with commercial scale plants, always have considerable uncertainties and will vary depending on starting assumptions. MHD cost-of-electricity (COE) projections will vary with assumed fuel costs, unit sizes, and other parameters. The general trend, however, shows that first generation MHD plants, with today's coal prices, will have a COE slightly below that of conventional, scrubber equipped coal plants and mature plants could achieve even larger efficiencies.

Until complete large-scale MHD plants are actually operated, the error band for plant availability/reliability projections will always be large. However, the experimentally demonstrated durability of key MHD components such as the coal combustor and channel (through a scale of 20 MWt) has exceeded the previously established minimal service life targets, which provides encouragement in terms of the reliability of the plant components. The MHD topping cycle components can be "arrayed" to increase plant availability, if necessary.

The progress toward program goals is difficult to quantify in any advanced technology. If one assumes that the successful conclusion of the CDIF/CFFF demonstration tests constitute the attainment of the program and goals and if one observes that the present coal fired MHD program was initiated by DOE and its predecessor agencies in approximately 1973, then from an overall "time-line" perspective the MHD program has progressed seventy percent of the way toward completion of the technology base program required for the initiation of the ETF as originally planned. Another way of viewing progress is in the context of the performance of the individual MHD system components. All components tested to date through a scale of 20 MWt have met their target performance requirements. Integrated subsystem tests at larger scale have been initiated this year at the CDIF/CFFF with encouraging preliminary results, but completion of the ongoing test series will require about four years.

Question: What is DOE's analysis of what the total coal of the MHD project will be if the project is completed as originally planned? Has DOE ever identified so-called "stepping-off" points during the life of this project where industry can logically move in and take over support of the project from the Federal government? For the record, please identify these points both in terms of why it is a logical place to conclude governmental support and where it is in relation to completion of the project.

Answer: The cost of completing the ongoing DOE MHD program is approximately $500 million, itemized as follows:

- o $150 million over about four years would be required to complete the ongoing test programs at the key MHD experimental sites and would constitute the completion of a minimal technology base.
- o An additional $350 million (overnight construction costs) would be required for the planned large-scale, MHD "proof-of-concept" plant, the ETF. Some part of this latter cost may be borne by the private sector, but it is too early to tell at this time.

In principal, it is possible for industry to move in and take over the support of the MHD program from the Federal Government at virtually any point in the R&D pipeline, whether or when industry will take such a step is difficult to predict. An intermediate "stepping-off" point for the Federal Government would be at the conclusion of the ongoing test programs. However, an orderly DOE MHD program conclusion can be reached in FY 1982 with the completion of key data documentation that would provide the capability for the restarting of the MHD program sometine in the future, by the government or industry, should the interest arise.

Mining R&D

Question: How does DOE's underground coal mining program relate to programs of the Department of the Interior's Bureau of Mines, Office of Surface Mining, or Geological Survey? Briefly for the Committee, and then in detail for the record, describe the impact of your 1983 budget requests on each of the Mining R&D projects DOE has been doing with the aforementioned agencies of the Department of the Interior.

Answer: The DOE underground coal mining strongly relates to many of the Department of Interior's programs. Both DOE's mining program and the Bureau of Mines perform research on mining technology systems and their intwined production and safety aspects, with of course DOE focusing on production measures and BOM on safety measures. From DOE's standpoint, interface with BOM personnel and resources is critical in new technology development simply because if the technology does not have adequate safety features it cannot be used in America's mines. DOE and BOM also carry on coordinated, complementary subsidence research efforts, with DOE focusing on developing advanced subsidence prediction measures seen critical to the feasibility high-rate production methods, and BOM focusing on monitoring and limiting subsidence damage of current mining practices.

DOE's mining program activities in subsidence and production supporting environmental research are followed closely by Office of Surface Mining personnel concerned with minimizing environmental disturbances associated with mining. In addition, DOE's former surface mining research, now in the final stages of phaseout, generates substantive technical background in land reclamation for use by OSM in carrying out its regulatory mission. DOE has formal coordination agreements with both OSM and BOM and freely shares technical information with each group on a continual basis.

Though less formal, DOE's mining program has frequent contacts with Geological Survey (and Mineral Management Service) people in such areas as mutual interest as determining the recovery of various coal deposits, and environmental damage to be expected, using different mining techniques and determining the hydrological impact of mining in selected strata.

DOE's underground mining program has five active research contracts with the Bureau of Mines:

1. Longwall Dust Control, a multi-year BOM-managed study evaluating the effectiveness of available dust control technology. (Dust is a serious inhibitor to achieving high performance potentials of longwall mining techniques.) DOE shared initial funding of the effort and has no current plants to add to this funding.

2. Longwall Stabilization, a 27-month, 50% cost-shared effort by DOE and BOM, managed by BOM and directed to developing techniques of stabilizing failing roof and face conditions limiting longwall mining applications. This contract is fully funded.

3. Performance Criteria for High Voltage Transformer, a 3-year joint effort managed by BOM to develop a safe transformer needed for efficient, high voltage electric power within a mine to run advanced, high-capacity mine development systems. This project is fully funded.

4. Health and Safety Research in Support of Alternative Mining Technology, DOE fully funded technical studies undertaken by the BOM in support of vertilation and other safety requirements of advanced mine shaft and entry development technology under DOE development.

5. TPO Support fo DOE's Coal Mining R&D Program, whereby BOM technical mining personnel are supporting DOE's remaining mining personnel in the orderly phasedown of DOE's surface mining contract research effort. DOE has obligated funds for these services through FY 1982.

The Administration will propose transfer of the DOE Mining R&D Program to the DOI Bureau of Mines; therefore, no funds are included in the FY 1983 budget for the aforementioned activities.

Question: Were any of these DOI agencies contacted in the course of development of DOE's 1983 Mining R&D budget? If so please provide for the record copies of all correspondence -- written or verbal -- between all individuals of the two Departments concerning the development of this budget. If contact between the two Departments did not take place, why not?

Answer: No formal contacts were made with DOI in actual development of the FY 1983 budget by the Division of Coal Mining personnel. However, mention of a reduced budget outlook from FY 1982's proposed $15 million level was made in the context of formal coordination exchanges with BOM.

At the time of the formulation of the FY 1983 budget, DOE was still fully responsible for the Mining R&D program. The transfer issue had not developed to the stage where it was deemed appropriate to involve DOI in the budgetary process. However, they were advised of our activities by the Assistant Secretary for Fossil Energy in conversations during November and December of 1981.

Question: What is the status of the transfer of the Carbondale Mining Technology Center (CMTC) to Southern Illinois University (SIU)? Has DOE made funds available to SIU for operation of this facility? If so, how much?

In transferring the facility to SIU, what has been the position of DOE with respect to transfer of the scientific and other equipment and furnishings used previously by DOE at the facility?

Answer: A title search of the CMTC property is currently being performed. Upon its satisfactory completion and finding of a clear title, the property records will be turned over to DOE's Real Property Division at Headquarters. Anticipating that everything required for excessing the property is in order, the property will be turned over to GSA for formal surplusing in accordance with standard federal procedures. It is anticipated that the report of excess from the DOE Real Property Division should be in GSA hands by early June 1982.

DOE's understanding of GSA procedures is that GSA will first screen all other federal agencies to see if they have need of the facility. If no federal needs are seen, a screening of state and local agency needs will be made. It is at this point SIU might declare its interest through official federal procedures. GSA then determines the property recipient and appropriate charges, if any, to be paid by the recipient for the property. Before culmination of such a transfer, it is DOE's understanding that the disposition is subject to review by the newly reactivated President's Real

Property Review Board. GSA can be contacted for further information and details on his process.

A 15-month, $1,000,000 award was given to SIU on March 25, 1982, to operate the CMTC and conduct mining research. DOE obligated $500,000 to this grant at the time of award, and upon internal ransfer of funds between Mining R&D accounts, will obligate the remaining $500,000 by May 15, 1982.

DOE has supplied SIU with the necessary scientific and other equipment and furnishings previously used by DOE at the CMTC facility to carry out the research work stipulated under the 15-month DOE award to SIU. Title of the equipment and furnishings remains with the Government. Upon completion of the award, DOE will take another look to see if the equipment and furnishings, not consumed, are still needed by DOE. If not, DOE will allow SIU to retain what remains at the facility.

Oil Shale

Question: On page 106 of your justification, you indicate that oil shale technology "is now transitioning from the laboratory and pilot plant stage to first commercialization attempts." Does this statement infer that oil shale technology is now economically acceptable for firms to begin commercialization? Does it infer that continued research and pilot plant activities are no longer necessary? If not, what role is there for continued research and pilot plant activities?

Answer: Fossil Energy's statement that oil shale technology "is now transitioning from the laboratory and pilot plant stage to first commercialization attempts" makes no judgment as to economic acceptability of such technology. Rather, our position is that the marketplace should make such decisions; and that the Federal role is to carry technology development to the point where industry can conduct their normal technical, economic and environmental risk assessments. However, we believe that such Federally-supported research should in no case go beyond the proof-of-concept stage. There are presently no proven commercial oil shale processes, and only one commercialization attempt is still active (Union). Recent marketplace decisions by Exxon to cancel the Colony project, and by Occidental-Tenneco to indefinitely postpone further commercial efforts, have indicated that their technologies are not considered economic at present oil prices. We believe that there is a continued need for Federally-supported long-range research that may lead to more efficient, environmentally acceptable, and economically competitive technologies in comparison with those now available; to provide the technology base that will eventually be required if the Nation is not to remain heavily reliant on foreign oil.

Question: What role has the Geokinetics project played in the development of oil shale technology? How far from completion is this project and what is DOE's estimate of the cost to complete the project as originally designed? If the project is completed, what information will be gained that will be useful to the overall oil shale technology base?

Answer: The Geokinetics project has made substantial contributions to the development of a true in situ technology applicable to the 3 billion barrels of in-place resource of shallow, thin, rich oil shale deposits in Utah. This project has advanced to the demonstration testing of commercial scale retorts, has permitted testing and refinement of DOE's retort process control models, and has contributed to DOE's research on oil shale fragmentation modeling and environmental aspects of large-scale in situ shale processing. This project is presently completing the second retorting test of a commercial-scale retort and plans to initiate the third such test in May, for completion in early 1983. Two retort fragmentation tests, at twice the rubble volume of the present "commercial-scale" retorts, were recently performed. These two tests will undergo evaluation by coring and tracer-testing during the remainder of 1982. A comprehensive environmental, health, and safety program will continue until these tests are completed. The total estimated cost to complete this project is $3.2 million, including DOE's planned FY 1982 funding of $2.5 million and $0.7 million of cost-sharing by Geokinetics. This project has already exceeded the original design goals of size for demonstration "commercial-scale" retorts. Present efforts are directed to refinement of the blasting technology including economic improvements associated with further increases of retort size. Geokinetics has stated their intent to apply to the Synthetic Fuels Corporation on the basis of the data to be obtained from completion of the project as described above.

Energy Technology Centers

Question: Have you made a final determination regarding operation of the five energy technology centers in fiscal year 1983?

Answer: No final decisions have been made on the future composition of the Fossil Energy field structure. Until an adequate assessment is made of the recommendations currently being prepared by the Assistant Secretary for Fossil Energy, the five centers will continue to function. We believe that opportunities exist, however, to improve the effectiveness of both the field and headquarters organization in Fossil Energy, and options are now being evaluated to streamline overall program management. In our view, this is a prudent action irrespective of the current or future funding level for the Fossil Energy program. We will be prepared to make further changes to our field structure as we implement the FY 1983 program, to ensure that Federal personnel and dollars continue to be used in the most efficient manner possible and that a proper balance is maintained between in-house fossil energy research and that conducted outside our laboratories.

With respect to the three Western Centers (Grand Forks, North Dakota; Laramie, Wyoming; and Bartlesville, Oklahoma), required realignment is currently under review. Discussions are currently underway with the Universities of North Dakota and Wyoming relative to possible assumption of the Centers' functions and facilities. Preliminary analysis indicates that personal and real property transferred to the Universities of North Dakota and Wyoming will need to be accomplished by legislation. Reduction-in-force activity will coincide in all probability with facilities transfer dates and the awarding of procurement instruments. Relative to Bartlesville, discussions have been held with members of Congress as well as several profit and not-for-profit groups who have expressed interest in the Center. In this regard, activity is underway to develop and finalize a competitive approach. Preliminary analysis indicates that legislation will also be required to transfer the real and personal property. The competitive procurement approach is being vigorously pursued by the Department. Concurrently, the Department is evaluating other approaches as they are offered by the private sector.

With all three Western Centers, the interested parties have stated that it is essential that a critical mass of knowledgeable staff and institutional resources be retained intact. The facility and equipment has little value to the interested parties without the knowledge base, capability and experience.

With respect to the two Eastern Centers (Pittsburgh, Pennsylvania and Morgantown, West Virginia), we are examining opportunities for contracting out of selected functions and streamlining the resultant organizations. These actions will permit achievement of desired management efficiencies regardless of Congressional deliberations on the budget.

QUESTIONS SUBMITTED BY SENATOR WALTER D. HUDDLESTON

Question: In the ERAB Report dated November 1981, it states: "Some of the markets in which energy is sold are not "free." Oil and coal are the exceptions. A little over half our primary energy finds its way to consumers through the electric and gas utilities, and these utilities are regulated, price-controlled industries, selling their products not at free market prices but at controlled prices well below replacement cost... Both these regulated industries have weak incentives to spend on R&D. If successful, the benefits go to ratepayers; if unsuccessful, the expenditures may be disallowed as imprudent."

The proposed budget appears to recognize these institutional research restraints for electric utilities by proposing to fund electric-related research totalling over $1.5 billion. Why is there no recognition of the same institutional restraints on the gas utilities?

Answer: To set my answer in perspective, I would like to point out that the Department's support of R&D activities in electricity related areas fall into two broad areas -- those dealing with fossil energy (oil, gas and coal) and those dealing with nuclear energy. The majority of the electricity-related R&D funding is for nuclear energy.

Insofar as DOE's Fossil Energy R&D efforts are concerned, the FY 1983 program has been redirected from the acceleration of the development of near-term technologies and demonstration type activities that promote commercialization to the performance of generic and technology base development. FE will concentrate on long-term, high-risk, potentially high-payoff R&D projects, but also support some projects up to the proof-of-concept stage. After that point has been reached, we feel that market forces should determine the technologies that will be developed further and subsequently commercialized.

Another point considered while formulating the FY 1983 DOE budget was the Administration's efforts to reduce Federal expenditures. While difficult decisions had to be made in regards to budget cuts, I feel that we have presented a balanced Departmental budget request that maintains the momentum of essential programs and provides the basis for future private sector activity based on the generic technology base R&D we are continuing to support.

In the area of gas production we are continuing to support coal gasification where we believe a government role is well justified. We are also supporting improved gas utilization through the fuel cell program.

We feel these efforts offer a balanced effort especially considering the Fossil Energy R&D proposed for the Combustion, Environmental Control Technology and Fuel Cells projects which are oriented toward electricity production.

Question: During the past several years, DOE has conducted a generic research program on unconventional natural gas resources, primarily in Devonian shale and tight sands formations in the West. This past fall in a public statement at an international research conference you stated that:

"The multi-well test (tight sands formations) is an activity not likely to be financed by the private sector because of the high technical and financial risk, but from it will come the technology base from which commercial activity can be mounted... It is one (program) which the National Petroleum Council looked at and has endorsed, and it is one which reflects proper government involvement."

It would appear to me that the same sort of logic would apply to the Eastern Mineback Experiment in Devonian shale.

What dramatic breakthrough has occurred in unconventional natural gas research during the last four months that provides the rationale for DOE to reverse policy and delete all funding for the multi-well experiment or, for that matter, any unconventional natural gas research project?

Answer: There have been no dramatic breakthroughs in unconventional natural gas research during the last four months, but the high drilling rig activity in the Rocky Mountain area suggests that tight gas sand development is well underway. Commercial activity in the eastern gas shales now is in excess of 10,000 wells. The price for shale gas is decontrolled. Drilling activity is presently at an all-time high in the Appalachian Basin. With these price incentives and activities in mind, the Administration feels that an extensive Federal R&D role is no longer needed, and that industry can better determine its own research priorities.

Representations have been made to the Gas Research Institute to pick up preliminary DOE work in the eastern mineback project. Industry has also been approached on their interest in taking over the western gas sands multi-well experiment site.

Question: The Sunset Review indicates that the program schedules for completion of the research in tight sands formations and Devonian shale are 1986 and 1985 respectively; yet you propose to terminate these projects. Since the research in these two projects is long-term and generic in nature and since without government support the research will not be completed in time to provide the data base necessary for industry to implement the technology until the late 1980's, why are you terminating these projects?

Answer: The Administration's fossil energy budget proposes funding for each research area on the basis of the need for a Federal role. Unconventional gas research received a low ranking after considering such factors as progress to date, incentives from expected future prices of gas, the technical and financial resources of the gas-producing industry and the current need for fiscal restraint. Also, the termination dates in the Sunset Review of 1985-1986 for gas research programs would suggest that the research is not really "long-range" compared to other choices.

Question: In situ coal gasification is a high-risk technology that not only has the potential to significantly reduce costs but also could quadruple the amount of useful coal resources in the U.S. Why is this research not continued at least until the technical feasibility of linking modules has been established?

Answer: Several in situ coal gasification field tests were completed that included the linking of process wells by a variety of techniques. Although there were some linking failures, most were successful. Future research to improve the reliability of linking techniques and to reduce technical risk should be carried out by the private sector as part of a commercialization program that better reflects industry's needs and prospective markets.

Questions Submitted by Senator Mark O. Hatfield

Question: This committee has provided funds for a 40 KW field test of phosphoric acid fuel cell powerplants that is now underway. We also provided funding for the technology development of the on-site 40 KW system that was to be co-funded with the gas industry. What is the status of that technology development program?

— How many contracts have been entered into with manufacturers that have the potential to offer commercial equipment within the next five years?

— What is the dollar value of contracts in force and what amounts have been expended under those contracts to date?

Answer: At the present time, DOE has pending, through the NASA Lewis Research Center, a multi-year technology development contract with United Technologies for the continued technical improvement of natural gas powered on-site fuel cell powerplants, with the first 15 months of effort identified, valued at $4.2 million. Additional areas of program definition and effort are now being identified for the following 24 months of the contract. Contract award is anticipated during May 1982.

One additional contract is underway with Engelhard Industries to develop a methanol fueled on-site powerplant that is expected to be commercially available in the 1986-1987 time period. The present contract, NASA DEN 3-241 was started in February 1981 and will continue until January 1983. The total value of the contract is $4.9 million. Approximately $2.5 million has been expended during the first 14 months of this contract. Spending will continue at the rate of approximately $200,000 per month for the remainder of the life of the contract.

Question: The DOE Sunset Review recommends that no funds be provided for the on-site 40 KW technology development program beyond FY 1983. How do you reconcile that cancellation when the parallel field test continues until 1985?

Answer: Although the 40 KW on-site fuel cell field test will continue until mid-1985 with final results available by the end of 1985, the first development breadboard prototype that has undergone over 700 hours of testing has identified several technical areas that need improvement if commercialization of the technology is to take place. In addition, DOE procured three early 40 KW powerplants, that are even now being installed in Portland, Oregon and Hartford, Connecticut, to evaluate some of the technical interfacial issues that are critical to the powerplant performance standards development. Because of the Administration policies that direct DOE to concentrate on higher-risk development, the Gas Research Institute has taken on the responsibility to carry the technology, once developed, to commercialization. This can be seen by the very significant increase in budget that GRI has allocated to fuel cells in future years. It is believed that the high risk technical issues that remain to be accomplished under the DOE funded portion of the UTC development program will be resolved by the end of FY 1983.

QUESTIONS SUBMITTED BY SENATOR HARRISON SCHMITT

Question: Would you please provide for the record a complete listing of all contracts entered into under the fuel cell program since 1980, including the parties to the contracts, the dollar value of the contracts, and the dollars already expended under the contracts?

How many of these contracts are with manufacturers capable of offering commercial fuel cell equipment within the next five years?

Answer: The information requested is provided in the attached table. The assessment provided concerning manufacturer capability represents our personal judgment only and contains a high degree of uncertainty.

Question: Looking at the attempts to develop fuel cell powerplants for the electric and gas utilities over the last 15 years, what is the relative level of federal and private sector expenditure?

Answer: A brief history of the on-site fuel cell development program is as follows: The TARGET program, a consortium of gas industry companies attempted at a cost of $100 million to develop a gas fueled 12.5 KW fuel cell powerplant for use in on-site use in the 1960's. In the late 1970's, the Government (ERDA and DOE) initiated a development contract ($17 million) in coordination with a gas industry co-contract ($5 million) to develop an on-site powerplant. After successful completion of the development, the Gas Research Institute (GRI) and DOE embarked on a Field Test Project to test in actual operation up to 50 prototype powerplants. This represents a contribution by DOE of about $13 million and a contribution by GRI of about $28 million. In addition, the testing entities (gas utilities and others to be chosen by a solicitation by DOE) will contribute another $40 million in time and money to conduct the testing. The continuing GRI development contract has committed approximately $7 million during 1981 and 1982 and will continue to commit about $4 million per year for the next 4-5 years to provide a successful design for an on-site powerplant. The DOE will commit $4.2 million in FY 1982 and FY 1982 funds to continue research on high risk items.

The electric utility development program prior to the participation of the Government had an industry and manufacturer outlay of approximately $130 million. This allowed the development and operation of a 1 MW powerplant at UTC at Hartford, Connecticut. A shared ERDA/DOE, EPRI, UTC and participating utilities (Con Ed and others) contract to develop a 4.8 MW powerplant, now being installed in New York City represented outlays in excess of $75 million with a DOE outlay of approximately $54 million. Continued development contracts by EPRI for electric utility fuel cells have been $7.5 million for 1981 and $9.3 million for 1982. DOE is now preparing a multi-year contract RFP for continued development committing $11 million in funds, with significant cost sharing by the manufacturers, Westinghouse and UTC and the electric utilities.

CONTRACT NUMBER	DESCRIPTION	PARTIES	DOLLAR VALUE $ K	AMOUNT EXPENDED $ K	CONTRACT WITH MFR. CAPABLE OF PRODUCING FUEL CELLS WITHIN 5 YEARS.
DE-AC-03-79ET-11301	Improvement in Fuel Cell Technology Base	DOE/UTC	3725	3725	YES
DEN 3-191	Electric Utilities Technology Advancement	NASA/UTC	8319	4945	YES
DEN 3-201	Evaluation of Gas-Cooled Pressur d Fuel Cell for Electric Utility P r Generation	NASA/ERC	1001	1001	
DE-AC-03-79-ET-11302	40kW Field Test Powerplant Modification and Development	DOE/UTC	20943	20943	YES
DEN 3-210	40kW Powerplant Grid Connected Modifications	NASA/UTC	396	396	YES
DE-AC-01-80-ET-17091	40kW Fuel Cell Technology Improv ent	DOE/UTC	2999	2999	YES
DEN 3-255	40kW On-Site Fuel Cell Field Te Project	NASA/UTC	33834	2250	YES
DEN 3-67	Technical Development for Phosph c Acid Fuel Cell Powerplant	NASA/ERC	1423	1423	

DEN 3-161	Program to Develop and Test Fuel Cell Driven Energy System, Phase II	NASA/WLC	6221	6000	YES
DEN 3-205	Technology Development for Phosphoric Acid Fuel Cell Powerplant	NASA/ERC	2913	1100	
DE-AC-03-79-ET-15366	Phosphoric Acid Fuel Cell Stack and System Development	DOE/ Engelhard	2358	2358	YES
DEN 3-241	Development and Test Fuel Cell Powered OS/IES - Phase III	NASA/ Engelhard	4799	2487	YES
DEN 3-89	Study of Fuel Cell On-Site Integrated Energy Systems in Residential/ Commercial Applications	NASA/ MATHTECH	140	140	
DEN 3-121	Study of Component Technologies for On-Site Integrated Energy System	NASA/ A.D.Little	148	148	
NAG 3-111	Analyze Legal/Economic Implications of Fuel Cell Commercialization	NASA/ U of CA	120	120	
NCC 3-17	Computerized Math. Model for PAFC Cost & Power	NASA/ Cleve.St.U	50	50	
DEN 3-242	U.S. Construction Data	NASA/ McGraw Hill	20	20	
Support Task	Draft OS/IES Environmental Assessment and Platinum Supply Impact Study	NASA/ Aerospace	140	95	
DE-AC-03-78-ET-13114	Electrode Optimization for Phosphoric Acid Fuel Cells	DOE/ERC	236	236	
DE-AC-03-79-ET-15365	Preparation and Evaluation of Electro-catalysts for Phosphoric Acid Fuel Cells-II	DOE/ Stonehart	150	150	

DEN 3-150	A Cathode for Primary Phosphoric Acid Fuel Cells	NASA/ECO, Inc.	322	322	
DE-AC-05-79-ET-15381	Methodology for Predictsing Long Term Fuel Cell Performance from Short-Term Testing	DOE/ERC	250	250	
DE-AC-02-76CH00016	Electrocatalysis Studies for Phosphoric Acid Fuel Cells	DOE-CHO/ Brookhaven	505	455	
DEN 3-208	Stabilizing Platinum in Phosphoric Acid Fuel Cells	NASA/IGT	133	130	
DEN 3-206	Develop Organometallic Electrocatalysts	NASA/KOR	350	80	
NAG 3-238	Study Alternate Electrolytes	NASA/ Clarkson	34	5	
DEN 3-176	Preparation and Evaluation of Electrocatalysts for Phosphoric Acid Fuel Cells-II	NASA/ Stonehart	354	325	
C-462290	Non-Noble Metal Support for Phosphoric Acid Fuel Cell Electrodes	NASA/NBS	100	100	
-	Surface studies of Platinum intermetallic electrocatalysts	DOE/ Lawrence	330	260	
FE-AC-81ET17109	3 Prototype Early Powerplant Buy	DOE/UTC	3000	3000	YES
ET-11299	Install & Operate 4.8MW Demonstrator	DOE/ConEd	20831	16000	YES
ET-11298	Spares Parts for 4.8MW Demo	DOE/UTC	2925	2810	YES
ET-13112	Fab. & Deliver 4.8MW Demonstrator	DOE/UTC	56000	56000	YES

Question: If we take the date on expenditures from the leading manufacturer, we find the following cumulative expenditures through 1980: United Technologies, $158 million; Electric and Gas Utilities, $127 million; Federal Government, $81 million.

Doesn't the fuel cell program represent one of the best examples of private sector effort among DOE's fossil energy programs?

Answer: The Fuel Cell program is a National effort in which the Government is supporting high risk/high payoff activities and the private sector assumed the responsibility for commercialization. This program is a good example of the success of the Administration policy for the Government versus private roles in development of energy technology.

Question: What is the position of the electric utility sector on the Department's FY 1983 Phosphoric Acid Fuel Cell budget?

The Fuel Cell Users Group of the Electric Utility Industry, which represents 40 percent of electric power sales in the United States, wrote to the White House in January that the minimum funding for an effective phosphoric acid program is $21 million in FY 1983. How do you explain the difference between that figure and your proposed budget of $5 million for phosphoric acid?

Answer: The electric utility industry recommended that the DOE phosphoric acid program should be funded at $21.0 million, however, we believe that DOE should restrict its role to high risk/high payoff R&D while the private sector supports engineering development, commercial demonstrations and other marketing and commercialization activities.

Question: We have heard testimony from a leading fuel cell manufacturer that it is currently negotiating with several pioneering utilities to take delivery of early commercial fuel cell powerplants in 1986. The utilities are being asked to pay two to three times the price of equivalent conventional equipment and to accept limited warranty protection.

Is this the sort of private sector commercialization that the Department seeks to encourage?

Answer: Yes, we are quite pleased with the activities of both EPRI and the Fuel Cell User Group of the Electric Utility Industry in this regard and believe this is the best approach for achieving private sector commercialization.

Question: The manufacturer has also testified that the technology base support program of the federal government is an integral and necessary part of the program.

Why does DOE then propose to zero the phosphoric acid program at the end of FY 1983 in its Sunset Review report?

If commercialization, with its attendant business risks, is an appropriate private sector responsibility, why isn't technology support, with its focus on reducing technical uncertainty, an appropriate function of the federal government?

Answer: We believe that the private sector would be able to carry the phosphoric acid program independently beyond this point since an adequate technology base should exist at the end of FY 1983. Additional research required beyond FY 1983 would be part of Industry's normal course in commercialization of a technology.

Question: It seems to me that we are walking away from phosphoric acid fuel cell technology just as it approaches the threshold of commercial viability. No private sector commercialization program can address the basic materials, catalyst and process issues that remain in fuel cell technology. White House budget analysis suggests that "Government can perform an important role in support of private sector technology developmeny by focusing federal funding on technology base research (e.g., materials research or understanding the mechanisms of catalysis)."

These are exactly the issues that remain to be resolved in phosphoric acid technology, and yet you propose to starve the program in FY 1983 and strangle it in FY 1984. Does this course make sense?

Answer: The phosphoric acid technology is at a more mature state of development than Molten Carbonate and Solid Oxide fuel cells. With regard to the government role, support to molten carbonate and solid oxide fuel cell R&D is of higher priority.

The phosphoric acid technology has a much more significant opportunity to proceed under private sector funding due to the significant amount of investment, private and federal, that has been made in the past.

Question: According to DOE's own market projections, a financially constrained electric utility sector could require as much as 50 gigawatts of new generating capacity by 1995 to meet peak demand. In the absence of high efficiency generators such as fuel cells, that would mean missing an opportunity to eliminate about 82 percent of current oil and gas use by utilities, according to your data. In addition, electric utility rates could rise precipitously in the Far West and Southwest, in step with increased oil and gas consumption.

Doesn't it make more sense to position fuel cells so that market demand can "pull" fuel cells into commercial service in the late 1980's and early 1990's? Wouldn't this substantially reduce oil imports and lower consumer costs?

Answer: The National fuel cell program is designed to realize these benefits. DOE's role, however, is to put more emphasis on technology base R&D for the more advanced fuel cell systems and allow the private sector to support the commercialization of near term fuel cell technologies.

Question: This can be done without interference in the free market by continuing phosphoric acid technology development activities at the FY 1982 level and providing adequate support to the 4.8 MW experiment in New York City and the 40 KW field test with the gas industry. These experimental programs will provide the technical baseline against which utilities will measure the readiness of the technology for commercial service.

Is it true that until utilities have confidence in the durability and reliability of fuel cell generating equipment, they will not consider introducing it into their systems?

Answer: The 4.8 MW in New York which is cost shared by EPRI, UTC, Con Ed, and DOE is to provide the data necessary and confidence for the electric utility industry to commit to the purchase of fuel cell power plants. Likewise the 40 KW field test program which is cost shared by GRI, the Gas Utilities and DOE will provide the data and confidence for the gas utility industry.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

Personnel Reductions

Question: Mr. Secretary, I am told that about six months ago you reduced the DOE Fossil Energy headquarters staff from 429 to 289 personnel, and then, on April 2, 1982, you announced a further reduction of the Fossil Energy headquarters staff to 100 at the end of this summer. Are these figures correct or approximately so?

Answer: Actually, when Fossil Energy headquarters was planning for a reduction-in-force (RIF) in April 1981, there was a requirement to reduce the staff from 415 to 289 personnel. However, by the effective date of the RIF in September 1981, the actual staff reduction was from 335 to 289 personnel. With regard to the April 2, 1982, announcement by the Assistant Secretary for Fossil Energy of a further reduction, the plans are to conduct the reduction by late summer of this year.

Question: What is the basis for these dramatic reductions and what impact will it have on the ability of the DOE headquarters staff to manage and administer the fossil fuel research and development programs?

Answer: We are implementing a headquarters reorganization which was developed on the basis that Fossil Energy will continue to move away from large-scale equipment development and demonstration and will focus on those long-range, high-risk research and development programs. As I stated to Fossil Energy employees at an all-hands meeting on April 2, 1982, in our view, the proposed headquarters organization will contain sufficient flexibility to handle the management of the transitional program now in place as well as the future program plans of Fossil Energy. The planned headquarters staff of 100 personnel, while significantly lower than the present on-board strength of 245 people, is sufficient to perform those essential program management functions appropriate to headquarters while relying on the Energy Technology Centers and other field organizations to execute the program.

Question: How many of the 100 employees who will remain at DOE headquarters will be professionals? How many professionals will be released?

Answer: Of the 100 employees who will remain at Fossil Energy headquarters, approximately 80 will be professionals. Approximately 120 professionals will be released.

Question: If the Congress should decide that MHD research and development should be continued in FY 1983 at or about the existing level, what assurance can you give us that the severe reduction in DOE headquarters staff would not delay MHD power generation and waste the investments in time, money, and scientific manpower which have been applied to this technology?

Answer: There are two primary reasons why I believe a viable Fossil Energy research program, with or without MHD, can be conducted with a complement of 100 headquarters personnel:

(1) In the past, a large headquarters staff was required because many Fossil Energy projects were managed directly out of Washington. I am convinced that a more effective and efficient way to run a research program is to decentralize day-to-day project implementation to our field structure. This allows the headquarters staff to devote their full attention to policy, program and budget development, and overall guidance and coordination. By clearly delineating the roles of headquarters and the field, and by decentralizing as much project management responsibility as possible to the field, I am convinced significant reductions in headquarters personnel are possible regardless of the funding level of the program.

(2). There are several direct comparisons that can be made that reinforce my judgement that a large headquarters complement is not necessary:

- Other DOE program offices manage programs with significantly less headquarters personnel in proportion to dollar levels than does Fossil Energy.

  The Energy Research office manages more than $6 million for every one headquarters employee.

  In FY 1982, Fossil Energy is managing a $417 million program with 250 headquarters employees -- that is only $1.6 million per person.

- My experience in industry also shows that effective management is possible with a relatively small headquarters staff. At Union Carbide, for example, we developed and directed implementation of a program of about $450 million, which encompassed the full range of disciplines -- from research to marketing -- with a headquarters staff of about 30 people.

- Comparisons can also be drawn with the Federal Republic of Germany's Ministry of Science and Technology, which is responsible for conducting energy research in many of the same areas in which we are working. Likewise, they operate within a similar democratic framework, in that they too are responsible to a legislative body. They conduct a viable program with proportionately less personnel than we have in Fossil Energy.

Question: From what appropriated funds are the personnel in the DOE headquarters fossil fuel programs and the expense of managing and administering these programs now paid?

Answer: Personnel in the Fossil Energy headquarters are paid from the Program Direction account of the Fossil Energy Research and Development Appropriation.

Question: If the fossil fuel management, administration, and overhead functions are transferred to Energy Technology Centers in the field, from what funds would the management and overhead for administering these programs be paid?

Answer: Energy Technology Center management and overhead costs are paid from various programmatic activities within the Fossil Energy Research and Development Appropriation.

Question: If the Energy Technology Centers took over the management of the MHD program, would they take a certain percent off the top of the appropriation for management and overhead? What is this percent?

Answer: When a program is managed by an Energy Technology Center (ETC), a small fraction of the program budget is required to cover local management costs. The management costs are not a fixed percentage. The costs vary depending on the size, scope and type of program in question. In terms of the MHD program specifically, it is presently principally managed out of the DOE Operations Offices (the Chicago and Idaho offices) with only one contract presently managed out of an ETC. A final decision will not be made on MHD field management until the FY 1983 MHD budget is resolved, but it is likely that the field management of MHD by its DOE Operations Offices will be continued if the program is continued.

Question: Suppose, for example, that the Congress appropriated $30 million for MHD programs in FY 1983. What would be the decrease in the funds available to the technical contractors if the management of the MHD program is transferred to Energy Technology Centers?

Answer: Since the FY 1983 MHD budget has not yet been determined, hence field management questions have not been formally considered. Field management costs could vary substantially depending on the field management approach utilized. As I stated in the previous question, it is not possible to provide a precise quantitative response at this time. It is also likely that the field management of MHD by the DOE Operations Offices will be continued if the program is continued.

Question: The existing Fossil Energy staff at DOE headquarters is a valuable resource. What assurance can you give that there will be no loss of expertise and competency if the headquarters staff is dismantled and the management responsibilities are transferred to Energy Technology Centers?

Answer: In a reduction-in-force (RIF), we will be able to determine the knowledges, skills and abilities that are required in each position in the organization. Formal RIF procedures will then be used in order to determine which qualified Fossil Energy employees are entitled to be retained. While we will not be determining the employees to be retained on a name-by-name basis, we will be determining the skills mix that is required. No employee will be retained who is not fully qualified to perform the duties of his or her new position.

The existing Fossil Energy employees will have the sole right to compete for those 100 positions identified in the proposed organization, as the defined "competitive area" for this action will be Fossil Energy headquarters. This competition during a RIF will be in full compliance with Office of Personnel Management regulations which require full consideration of employee technical qualifications, time in service, job performance, as well as veterans preference. Employees' rights will be fully protected during this process.

As point of reference, it should be noted that during the last RIF in Fossil Energy we initially had to separate 126 employees but by the effective date this was reduced to 46 people. This was the result of heavy attrition and extensive management effort during the RIF process to reassign and bring back employees to vacancies created during this time. The net result was that many good and talented employees were placed back in positions where they have been making major contributions to the management of Fossil Energy programs. I am hoping that a similar situation will occur during this upcoming reduction.

The number of people affected by the reduction is of great concern to us, and to this end, we have been looking at various ways that we can provide assistance to the people affected by this reduction. Some of the things that we have arranged to do are as follows:

1. We have established two working groups to coordinate all outplacement assistance. Working groups will be comprised of Fossil Energy personnel and Office of Personnel representatives and will work directly with designated support contractors, other government departments, and private sector employers.

   o One working group will be responsible for coordinating the counseling and outplacement of clerical/support staff.

   o Another working group will be responsible for coordinating the counseling and outplacement of professional staff.

   o The chairman of each working group will be designated as the point-of-contact for placement of employees with other DOE elements, other government departments, and private sector employers. The Office of Personnel will designate these individuals as their representatives with other government departments.

2. We will develop a book of employee skill profiles categorized by type of qualifications. Initially, these profiles will be formally sent to all government agencies and over 250 private organizations. Thereafter, they will be used as a reference in open discussions with these agencies and organizations.

3. Working groups will monitor to ensure that employees placed on the DOE Priority Placement List are given full consideration for all DOE vacancies for which they are qualified. This list is supposed to effectively freeze hiring in all vacancies until affected employees are placed.

4. The Department has sent our request for early out authority to the Office of Personnel Management along with a recommendation for approval. Retirement seminars and counseling will be provided through our personnel servicing branch supplemented by outside sources as required.

QUESTIONS SUBMITTED BY SENATOR JAKE GARN

Fuel Cells

Question: This committee has added funds to the DOE fuel cell budget request for the last two years to accelerate electric utility applications of phosphoric acid fuel cell technology. We have made those additions to the budget to underwrite private sector commercialization efforts. It appears that the Department may have diluted that focus by funding a myriad of small programs to the exclusion of the major private sector effort to introduce early commercial equipment. Would you provide for the record a description of your efforts to support the offering of three early commercial units to pioneering electric utilities for delivery in 1986?

Answer: The phosphoric acid fuel cell program's highest priority is the technology development of electric utility systems at Westinghouse and United Technologies Corporation.

Funding for the phosphoric acid electric utility program for FY 1981 and FY 1982 is as follows:

United Technologies

1. Development of 11 MWe, high pressure, large cell area prototype electric utility powerplant - obligation of $1.5 million, FY 1981; planned obligation of $10.0 million, FY 1982.
2. 4.8 MW demonstrator, Consolidated Edison Company, New York City - obligation of $5.1 million, FY 1981-FY 1982 (UTC is a subcontractor to Consolidated Edison for powerplant demonstration).

Westinghouse

Development of air cooled 7.5 MWe prototype electric utility powerplant - obligation of $0.5 million, FY 1981; planned obligation of $7.1 million, FY 1982.

The Westinghouse development program includes letters of commitment from two prospective host utilities (Southern California Edison Company and the City of Santa Clara, California) for powerplant siting and potential funding and technical support. Powerplant deliveries are scheduled for 1986.

United Technologies is soliciting a similar host utility arrangement for three prototype 11 MWe powerplants. To date, we are unaware of any signed agreement for the sale of these three prototype powerplants.

With regard to phosphoric acid priorities for technology development, the combined FY 1981 - FY 1982 funding obligations for on-site technology development is $9.0 million (United Technologies and Engelhard) compared to a total of $24.2 million for electric utility technology development.

Question: The committee has heard testimony that the commitment of substantial private sector funds to fuel cell development depends on the adequate support of phosphoric acid technology development. Why has DOE targeted this program for zero funding after FY 1983 when it has the greatest potential to attract private sector resources to the fuel cell program?

Answer: DOE has made no final decisions in regard to programmatic funding levels beyond FY 1983. The program planning for FY 1984 and beyond is still under development within the Department. The current DOE Phosphoric Acid Fuel Cell program provides support for technology development of high risk subsystems and components. The program is cost shared among the DOE, Electric Power Research Institute, Gas Research Institute, and participating utilities and manufacturers. We believe the technology development is approaching a maturity in terms of successful accomplishment of technical objectives and would anticipate increases in the private sector involvement as we approach commercialization.

SUBCOMMITTEE RECESS

Senator HUDDLESTON. This concludes the morning hearing. The subcommittee may have further questions, as I say.

The subcommittee will stand recessed until 8:30 a.m., Tuesday, May 4.

[Whereupon, at 10:55 a.m., Thursday, April 29, the subcommittee was recessed, to reconvene at 8:30 a.m., Tuesday, May 4.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

TUESDAY, MAY 4, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:36 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and Hatfield.

SMITHSONIAN INSTITUTION

STATEMENT OF S. DILLON RIPLEY, SECRETARY

ACCOMPANIED BY:
- PHILLIP S. HUGHES, UNDER SECRETARY
- CHARLES BLITZER, ASSISTANT SECRETARY FOR HISTORY AND ART
- DAVID CHALLINOR, ASSISTANT SECRETARY FOR SCIENCE
- JULIAN T. EUELL, ASSISTANT SECRETARY FOR PUBLIC SERVICE
- JOHN F. JAMESON, ASSISTANT SECRETARY FOR ADMINISTRATION
- PAUL N. PERROT, ASSISTANT SECRETARY FOR MUSEUM PROGRAMS
- CHRISTIAN C. HOHENLOHE, TREASURER
- TOM L. PEYTON, DIRECTOR, FACILITIES SERVICES
- THEODORE H. REED, DIRECTOR, NATIONAL ZOOLOGICAL PARK
- JON E. YELLIN, DIRECTOR, OFFICE OF PROGRAMING AND BUDGET

PREPARED STATEMENT

Senator MCCLURE. Good morning. This is the time scheduled to review the fiscal year 1983 budget estimates for the Smithsonian Institution, the Holocaust Memorial Council, and the National Advisory Council on Historic Preservation.

We will begin with the Smithsonian Institution. The fiscal year 1983 budget request for the Smithsonian totals $192,610,000, an increase of $50,076,000 over the fiscal year 1982 appropriations to date.

Secretary Ripley, if you would first introduce your associates, you may then proceed to highlight your opening statement, the full text of which will, of course, be included in the record.

[The statement follows:]

STATEMENT OF S. DILLON RIPLEY

First, Mr. Chairman, I would like to express my real appreciation to you and the Committee for your most understanding consideration of our FY 1982 budget request. With this understanding and through a series of reviews and cost reduction measures, we have been able to cope with our most serious financial problems. These problems stemmed mainly from the possibility that the Institution would have to absorb the full amount of the FY 1982 pay raises. For the thinned-down Smithsonian, this created a potential financial problem of $4.6 million. Our initial response to this situation was to freeze all hiring and curtail travel and equipment purchases pending the results of a comprehensive base review. This review involved self-assessments by each of our activities of their use of resources, as well as evaluations of the value and effectiveness of our central support units. As a result of this Institutional review, we have been able to shift resources, within the limits of the reprogramming authority granted by this Committee, in order to meet the majority of our most pressing problems. Recent favorable action by the Office of Management and Budget on a supplemental appropriation of $2.3 million, if enacted by the Congress, will allow us to fund essential hires and other necessary expenses for the balance of the year. While we have been forced, most regrettably, to limit our extended summer hours schedule in 1982 to two of our most popular attractions, the National Air and Space Museum and the National Zoological Park, and it has been necessary to curtail several of our programs, we will be able to get through the year without more drastic actions affecting public service.

FY 1983 Budget Priorities

The budget request which we are presenting to you today is a product of the Institution's response to the financial stringencies required of Federal activities. In developing priorities for the FY 1983 budget request to the Office of Management and Budget last spring, I urged the Institution's managers to concern themselves with the basic and essential care, maintenance and security of our possessions - the 78 million works of art, technological and cultural objects, and natural history specimens that comprise the National Collections -- and our museums, galleries and other buildings that have a replacement value of over one billion dollars. This budget request specifically addresses those priorities. There is provision for significantly enhancing the protection of the collections through a comprehensive program of security improvements, including further work on the Institution's proprietary electronic security and fire alarm system. A major priority also is the continuation of a strong restoration and renovation and maintenance program that will assure the structural integrity of Smithsonian buildings. We are seeking a further increment for equipping and operating the Museum Support Center, the construction of which is presently ahead of schedule and within budget.

Construction monies are requested for the Quadrangle project whose main theme is peace through intercultural understanding. The proposed resources will be used to construct new facilities for a Center for African, Near and Far Eastern Culture and Art in association with the Freer Gallery of Art and the Museum of African Art. Combined with the galleries will be temporary exhibit areas, associates activities, and seminars and discussion areas for this arc of nations from Africa to the western Pacific. The project will be jointly financed by equal shares of appropriated and nonappropriated funds.

Self Help at the Smithsonian

The joint financing of the Quadrangle construction represents one facet of the productive partnership between the Federal government and the Smithsonian's nonappropriated resources. We are very proud of this tradition and believe it to be integral to the success of the Institution.

Over the past several years, mainly through the favorable results of our auxiliary activities, we have been able to finance, in full or in part, several programs, thereby reducing the need for federal appropriations. These are fully explained in our budget document, but a few bear repeating. Since 1978, the Board of Regents has approved the use of two million dollars a year for the Institution's Collections Acquisition, Scholarly Studies and Educational Outreach Program. We hope to be able to increase this allocation to two and one-half million dollars annually beginning in FY 1983 because of the inclusion of the Museum of African Art. Through February 1982 over four million dollars has been expended for a total of 15 important acquisitions, including major sculptures, paintings, fossil collections, a quartet of signed 18th century stringed instruments, scrolls of Chinese calligraphy, collections of Mexican masks and of historic American printing type. Approximately two million dollars has been used to support 100 special research projects which have led to 88 publications, completed or in-progress. And $2.4 million has supported 81 educational outreach activities that have extended the museum experience for thousands of individuals, including the disabled and the elderly.

A second program financed with Trust funds since FY 1979 is the Institution's visiting scholar and fellowship program. This program, previously supported with federal appropriations, is now funded with nonappropriated Trust funds at the annual level of $1.1 million dollars. Smithsonian fellowships serve the national academic community and benefit the Institution's own research staff. Since 1979, 480 awards have been made to fellows from 180 colleges and universities. Intellectual exchange typically continues beyond the fellowship year, through lasting collaborations, correspondence, visits and joint publications.

In total, for FY 1983, we are forecasting that a net amount of $15 million will be realized from our auxiliary and other unrestricted Trust fund activities. In addition to the uses described above, we expect to apply the monies toward operating allotments of the Cooper-Hewitt and other bureaus; administrative and support costs; research, exhibitions, education and other purposes of the bureaus; the Quadrangle project; and, funds permitting, the Institution's unrestricted endowment.

FY 1982 Accomplishments

In general, Mr. Chairman, with your assistance, the Smithsonian continues to be a healthy, energetic Institution as evidenced by our recent accomplishments.

Collections Management

We are pleased to report that construction of the Museum Support Center is 60 percent complete. The project is on schedule toward a beneficial occupancy date of January 1983. Inventories in all museums including the special inventory programs initiated in FY 1979 at the National Museum of Natural History/Museum of Man, National Museum of American History and the Cooper-Hewitt Museum are actively continuing in FY 1982. In each of these museums, inventory standards and methods, including data gathering and recording systems and collection condition reports, have been developed. By the end of FY 1981, the National Museum of Natural History/Museum of Man had created and computerized more than 2,500,000 inventory and catalogue records. The National Museum of American History had inventoried and created inventory records for 8,500,000 objects and the Cooper-Hewitt did the same for 134,000 objects. Following an initial completion date of June 1983, updating, reconciling, and refining the inventories will be a continuing Institutional priority.

Research

Original research in the sciences, history and art continues to form the core of all Smithsonian programs. Significant progress occurred in FY 1982 in furthering knowledge in several fields of science at the Institution. Among the more noteworthy accomplishments were the participation by two Smithsonian scientists in an expedition to Antarctica. A geologist from the Smithsonian Astrophysical Observatory and a botanist from the National Museum of Natural History spent several months in the region as part of a national team attempting to unlock the mysteries of this remote continent. Over 300 meteorites were collected and are now being analyzed. The group also brought back a collection of lichens, a plant consisting of a fungus and an algae, tolerant of harsh growing conditions. Preliminary analysis indicates that these plants may be over 10,000 years old, making them, if confirmed, the world's oldest organisms.

Utilizing data from the Einstein Satellite and observations from the Multiple Mirror Telescope, scientists at the Smithsonian Astrophysical Observatory are developing a better knowledge of the role of quasars in the solar systems. Quasars, star-like images with enormous energy output, seem to contribute significantly to the X-ray background in space. It is also possible for the first time to plot the distribution of quasars in time and space by using the Multiple Mirror Telescope. Such information is critical in developing current models of quasar evolution.

On earth, veterinarians and reproductive physiologists have made significant strides in understanding animal physiology to better care for and manage our living collections. Studies of blood sera of cheetahs in South Africa revealed a limited diversity of genetic variabilities, important because it was previously thought that genetic diversity was the rule in natural populations with wide geographic distribution. Also significant was the artificial insemination of the female giant panda. Aided by colleagues from the London Zoo, the National Institute of Health, and the Children's Hospital Medical Center, the female was inseminated during ovulation. For the first time, a panda's ovaries were observed during estrus by a laparoscope.

Continuing efforts at both the Smithsonian Tropical Research Institute and the Chesapeake Bay Center on temperate and tropical forests have yielded new data on the workings of these complex ecosystems. New efforts in the photosynthetic physiology of tropical plants are yielding important findings of the role that limited sunlight plays on plant growth on the forest floor. At the Bay Center, scientists have documented the relationship between migratory birds and their habitat requirements in the forests of the Eastern United States. More detailed studies should yield the necessary data for proper forest management that will assure genetic diversity for the survival of commercially important plants and animals.

Important history and art research efforts in FY 1982 include an archeological expedition to Kodlunarn Island on Frobisher Bay in Canada, documenting Martin Frobisher's voyages to the Canadian arctic in 1576-78 with significant new findings; an exploration of the contemporary fine arts in the State of Idaho in preparation for their possible presentation in an exhibition to be scheduled for 1983 or early 1984; an historic review of Washington, D.C. artists from 1880-1915 in preparation for an exhibition of paintings in the fall of 1983; continued research and editing toward the publication of Volume 5 of *The Papers of Joseph Henry*; preparation for publication of an annotated volume of "The Quartermaster's Manual of 1865;" and a study of the reed weaving technology of the Northern Paiute Indians of Western Nevada.

Notable publications in history and art so far this fiscal year include *Science in America: A Documentary History, 1900-1939*; *The History of Science and Technology in The United States: A Critical and Selective Bibliography*; a book on traditional pottery making, *The Meaders Family: North Georgia Potters*; a major book on a important American modernist, *Ashile Gorky: The Implications of Symbols*; studies of Islamic celestial globes and the pipe organs of Mexico City cathedrals; *More than Meets the Eye*, a comprehensive history of the Cooper-Hewitt collections; a study of "Kuba" art (from Zaire); the volume *Masterpieces of Chinese Calligraphy in American and European Collections*; an updated "Illustrated Checklist" of the National Portrait Gallery's permanent collection; and Esin Atil's book, *Kalila wa Dimna: Fables from a Fourteenth-Century Manuscript* and the catalogue "*Renaissance of Islam: Art of the Mamluks*" from the exhibit that was displayed in the Evans Gallery at the National Museum of Natural History.

Exhibitions

There have been several popular exhibition openings this past fiscal year. Among them is the renovated Dinosaur Hall at the Natural History Museum, which is proving to be a most entertaining and educational exhibition. Special features include a time column with illustrations depicting the story of evolution, a giant flying reptile called a pterosaur with a forty foot wingspan, and monoliths, stationed on the upper level, that illustrate the use of fossils in industry. The monoliths and other exhibits on that level were paid for by funds donated by the corporate sector.

Our Thomas M. Evans Special Exhibits Gallery in the Natural History Building opened on July 8, 1981 with the exhibition "5000 Years of Korean Art." This outstanding show was followed by the "Hopi Kachina Spirit of Life" exhibition which interpreted the unique culture, religion and philosophy of the Hopi people; and smaller exhibits on deep ocean photography and a collection of works by Edward Curtis. Scheduled for June 1982 is a fascinating show on the Bering Strait Eskimo which will contain approximately 500 objects collected during the 1880s by Edward William Nelson, a museum collaborator with the Natural History Museum. These and other shows, made available partially through outside funding, are affording our visitors the opportunity to view varied and exciting exhibitions that would not have been possible without the Evans Gallery.

With support from appropriated funds totaling $750 thousand in FY 1981 and $840 thousand in FY 1982 the "Major Exhibition Program" opened two exhibitions this year. The first of these "George Washington, A Figure Upon the Stage," occupies 9,000 square feet of exhibit space at the National Museum of American History. It commemorates the 250th anniversary of our first President's birth by bringing together over 600 objects that help recapture a sense of his life and the manner in which the American people viewed his character and appearance.

The other "major exhibition" entitled "Celebration: A World of Art and Ritual," currently is at the Renwick Gallery. The numerous striking and exquisite objects assembled for this show from nine Smithsonian museums illustrate a rich diversity of ceremonial and ritual events and the forces that move humankind to celebrate.

Supplemental appropriations provided by the Congress in FY 1981 made possible eight exhibitions commemorating the centennial of Franklin Delano Roosevelt's birth. The most extensive of these, featuring paintings and memorabilia from Smithsonian collections, as well as objects loaned from other Institutions, is located in space opposite the George Washington show in the National Museum of American History. Additional programs include free film theater activities, lecture series and an architectural walking tour sponsored by the National Building Museum and our National Museum of American Art. These and other special events sponsored by other organizations provide a fitting commemoration of this occasion.

FY 1983 Budget Request

Now I would like to summarize and highlight our FY 1983 budget request by appropriation account.

Salaries and Expenses

The Institution's request for the Salaries and Expenses appropriation for FY 1983 totals $144.1 million which is an increase of $11 million over the FY 1982 base. Nearly one-half of the proposed increase, $5.2 million, is for items that are generally beyond our control, including utilities, communications and rent, legislated pay and inflation. A further amount of $1.1 million is sought to support the 69 positions approved by the Congress after they had been eliminated in the March 1981 budget amendment.

The remaining amount of $4.7 million is designated for essential purposes consistent with our theme of care and maintenance of the collections. These consist of upgrading safety and security equipment, continuing the phased programs of equipping and operating the Museum Support Center and providing adequate maintenance of Smithsonian facilities.

The care and protection of the museums and National Collections is a major priority and concern. During the past year, our Office of Protection Services conducted an extensive survey of all Smithsonian museums and facilities. The results indicate that there are areas where security coverage is not adequate and opportunities exist for theft, break-ins or vandalism. Findings also show that security systems in some Smithsonian facilities are obsolete or function poorly. Some areas have only lock and key arrangements, providing minimum security; other areas of nonpublic space are not monitored at all which could lead to unauthorized entrance. To initiate a comprehensive plan designed to correct our security deficiencies, we are seeking an amount of $1.7 million in FY 1983.

A key part of the upgraded protection program is the conversion to a proprietary alarm system that is owned and operated by the Smithsonian. This system would ensure faster response times to fire and security alarms, improve the quality of vital information transmitted from the scene and eliminate the reliance on leased equipment. The Institution has been working toward this conversion since 1975.

Another critical security need addressed in this budget is the replacement of outmoded security equipment, including alarm and fire sensor devices for exhibit cases in public areas. Moreover, closed circuit television cameras for non-public and public areas are required as are security and alarms equipment that will deter theft and detect fire in storage areas where 90 percent of our holdings are located.

Under the category of safety, an additional $152 thousand is proposed to augment the Institution's effort to convert potentially fire hazardous cellulose nitrate negatives to archival quality safety film.

For the Museum Support Center, we are requesting a total amount of $6.7 million to continue the phased program of equipment purchases to initiate the move of collections and to provide basic operating capability when the Center is completed in early 1983. This represents a $2.2 million increase over the FY 1982 base.

To date, an amount of $5.3 million has been appropriated for storage equipment. The bidding process for this equipment which is divided into "wet" storage (collections stored in alcohol or formaldehyde solutions) and modular storage is on track. After some initial difficulty with the first bid for the "wet" storage component, a new invitation for bid will be issued on May 5, 1982. Bid invitations for the modular storage component will be issued during the summer. An additional increment in FY 1983 will permit the continued purchase of equipment in order to accommodate the schedule of collections relocations. The first of these, to be moved in 1983, will be the fluid collections from the Oceanographic Sorting Center. Presently occupying leased space, the move of the Sorting Center will free up funds that will be applied to equipment purchases. Also in 1983, collections from the invertebrate and vertebrate zoology departments and the medical program of the entomology department will be transferred to the MSC. In 1984, the schedule calls for the move of collections from the botany, entomology and anthropology departments.

With funds of $1.75 million appropriated in FY 1981 and FY 1982, the Institution has initiated purchases of laboratory and other equipment for the scientific departments and organizations that will have components at the Center. These essential purchases will be continued with funds sought in FY 1983.

With base funding of $187 thousand for conservation and library functions, an additional amount of $2.3 million also is requested for basic operating expenses consisting of support costs of building and grounds maintenance and protection, conservation and fumigation supplies, and estimated utilities costs. Also included are monies for the initial relocation of the collections.

It will be necessary to begin to staff the Museum Support Center with support personnel during FY 1983. A careful examination of staffing requirements has indicated that 66 positions will be needed in FY 1983; the part-year cost of these positions is estimated to be approximately $1.0 million. The preferred approach to meet this need is to reprogram existing vacant positions throughout the Institution to the Center. Direct contracting for Museum Support Center positions has been considered and rejected. Given the importance of this new building to the Institution, and its complex and sensitive environmental and prototype security equipment, we are convinced that it would be best to operate, maintain and protect it with our own employees at least for an adequate initial period.

At present the principal source of funds for staffing is the Museum Support Center equipment account. An amount of $4.2 million is sought for this purpose in FY 1983. We are presently determining how much of this might be reallocated for staffing. That amount will depend on the quantity of storage and other equipment that can be purchased in FY 1982 and what the requirements are in FY 1983 and early FY 1984 for the transfer of museum collections into the Center. We anticipate, however, spending about $785 thousand of the equipment in FY 1983 for staffing needs in addition to approximately $250 thousand of funds designated for the move of the collections. If it is determined that these amounts cannot be spared, we would look to other sources of funds in order to assure the timely occupancy of the Museum Support Center and efficient and effective operations.

Lastly, in the S&E appropriation, we are requesting an increase of $650 thousand to allow our Office of Plant Services to meet its basic operating and maintenance obligations for virtually all of the physical plant.

Restoration and Renovation of Buildings

For the Restoration and Renovation of Buildings Appropriation, we are seeking an amount of $8.45 million, a $770 thousand increase over the FY 1982 appropriation. In keeping with the priorities of our FY 1983 request, we are firmly committed to devoting ample resources toward the maintenance of our physical plant.

During the past year, we have made considerable progress with our roof and facade repair, exterior, fire detection, utility systems, safety and security, and disabled access programs. For example, roof replacement of the American Art/Portrait Gallery Building is being completed; the first phase of a multi-year repair and restoration of the roof and exterior facade of the Arts and Industries Building is being started and repairs to the Smithsonian Institution Building's roof and gutter system are being completed. Steady progress has been made in the phased program of correcting fire detection and suppression deficiencies in the Natural History and American History Buildings. Heating, ventilating and air conditioning (HVAC) upgradings are being accomplished at the Freer Gallery of Art, where the first phase of a three year project has been completed and the second phase started; at the American Art/Portrait Gallery Building where energy conservation measures are being implemented with the replacement of aging air-conditioning equipment; and at the Museum of American History where mechanical components that are beyond repair are being replaced. A major project was completed at the American Art/Portrait Gallery Building where asbestos bearing insulation was removed and replaced with non-carcinogenic material. We are very proud of the results of the Hirshhorn Sculpture Garden improvements which include ready access for the disabled.

A portion of the monies in this account is used for projects in support of research, collections management and education at the Institution's outlying facilities. In this category, with the reprogramming approval of this Committee, we were able to award a construction contract in November 1981 for the development of a research library at the Smithsonian Tropical Research Institute in Panama.

Included in our budget justification this year is a report of physical plant condition by facility which details the Institution's restoration and renovation plans over the period FY 1983 - FY 1987 as shown in our Five-Year Prospectus.

For FY 1983, we plan to move ahead with the major phased projects on roofs and facades, utility systems, and safety and security. We also are seeking resources to correct smaller problems before they become major and to complete two projects at outlying facilities.

Specifically the major purposes for which resources are sought in FY 1983 include continuation of roof and facade renovation of the historic Arts and Industries Building, renovation of the Renwick Gallery Building's facade, and initiation of roof and facade repairs to the National Air and Space Museum. There is provision also for further upgrading of fire protection systems following the fire protection master plans of the American History and Natural History Buildings. In the utility systems category major funding is being sought to complete the HVAC renovation at the Freer and to continue HVAC upgradings at the American Art/Portrait Gallery Building, the American History Building and the Arts and Industries Building. We are requesting additional resources in this category also to initiate replacements and renovations for the components in the Natural History Building.

Under the rubric of safety and security, a major project planned for accomplishment over the next decade is the conversion to an electronic security and fire alarm system that is owned and operated by the Smithsonian. I have previously discussed the need for conversion to this system in the Salaries and Expenses portion of this statement. The monies for this project sought in the

Restoration and Renovation account will be used to fund building modifications and permanently installed equipment.

Zoo Construction

Our Zoo construction request for FY 1983 of $1.55 million focuses mainly on renovation and repairs. We are seeking an amount of $1 million for the repair program at Rock Creek and $200 thousand for general repairs at the Conservation and Research Center in Front Royal, Virginia. As a continuation of Master Plan development at Rock Creek, we are requesting a sum of $350 thousand for the planning and preliminary design of the Olmsted Walk Exhibits projects. These consist of a series of small exhibits planned for the Connecticut Avenue pedestrian and vehicle entrances, as well as along the central walkway.

Quadrangle

Culminating several years of planning, we are seeking an appropriation of $36.5 million in FY 1983 for development of the Quadrangle --an area of 4.2 acres of land bounded by the Smithsonian Building, the Arts and Industries Building, the Freer Gallery of Art and Independence Avenue. Construction costs will be $75 million. One-half of this amount, or $37.5 million, is sought from federal appropriations. The other half will come from voluntary contributions of individuals, corporations, foundations, foreign governments and related organizations as well as the Institution's own resources.

The Need

In our view, there is an overwhelming need to provide a window on the National Mall for non-Western civilizations and their dynamic traditions, cultures and history. Together these civilizations encompass two-thirds of the world's population. The Quadrangle, a center for non-Western cultures, is our response to this need.

The Smithsonian's interest in these civilizations is by no means new. For many decades Smithsonian archeologists and ethnologists have worked in these areas; our Freer Gallery is the most important museum in America specializing in the art of the Near East and Asia; and recently we were pleased to accept from the Congress responsibility for the National Museum of African Art. But just at the time when an understanding of non-Western cultures has assumed new urgency, we have come to realize that our existing facilities are inadequate to meet this need: the Freer Gallery desperately needs more space for its own programs, the National Museum of African Art needs and deserves modern facilities among the other Smithsonian museums on the Mall, and the Smithsonian as a whole needs facilities in which the achievements of all non-Western cultures can be studied, discussed and exhibited.

The new center will give our 25 million visitors each year an awareness of and appreciation for the great cultural achievements of the peoples and civilizations of Africa, the Near East and Asia.

Questions

Two main questions have been expressed. These revolve around our ability to finance one-half of the construction costs from nonappropriated sources and our ability to assure that project costs will not exceed $75 million. These are important questions and ones that we have taken very seriously. I would like to outline for the Committee the measures we are taking to assure that we will in fact raise fifty percent of the costs and that we remain within the $75 million estimate.

Status of Fund Raising

We are firmly committed to meeting one-half of the cost of the Quadrangle from nonappropriated sources, including contributions from other governments, foreign and domestic corporations and individuals. To date, we are about two-thirds toward our goal, with approximately $24 million in-hand or pledged from other governments, foreign and domestic corporations, foundations and individuals and the Smithsonian's Trust funds. To help assure that we meet our goal, we have engaged the firm of Brakeley, John Price Jones Inc. who, in association with our Development Office, is helping to organize domestic and international fund raising campaigns. On the domestic front, we are very fortunate to have had a corporate campaign under the leadership of William Anderson, who is Chairman of the NCR Corporation and also former Chairman of the National Board of Smithsonian Associates.

Cost Estimating

To help ensure that the bids for the construction contract fall within the $75 million, we have required the architectural design firm to engage an independent cost consultant firm to estimate and monitor project costs. In addition, the Institution has hired a cost consultant to prepare independent estimates. With these two independent estimates in hand, we are confident that we will have the necessary information to control the development of the project within available funding.

Status of Design

The architectural design for the Quadrangle was originally conceived by the internationally known Japanese architect, Junzo Yoshimura. Since then, the principal design partner of the Boston firm of Shepley, Bulfinch, Richardson and Abbott has developed site and building plans. These have been approved by the National Capital Planning Commission and the Commission of Fine Arts. We also have successfully completed all requirements of the National Environmental Policy Act and the National Historic Preservation Act. Using the FY 1982 appropriation of $960 thousand, working drawings will be completed this summer which would permit a solicitation for construction bids to be initiated in October 1982.

Authorization

Authorizing legislation providing for construction funding of $36.5 million has been introduced by the Congressional members of the Smithsonian's Board of Regents and referred to the Committee on Rules and Administration in the Senate and the Committee on Public Works and Transportation in the House. Hearings were held on April 20th in the Senate and on April 27th in the House. It is anticipated that the legislation will be reported favorably prior to May 15th.

Special Foreign Currency

Our request for the Special Foreign Currency Program is $2,000,000 in foreign currencies. Funds for this program will be used to continue a program of grants to United States institutions where excess currencies are available primarily for research and professional training in fields of traditional Smithsonian competence.

Mr. Chairman, I and my staff will be pleased to respond to your questions and those of the Committee.

INTRODUCTION OF ASSOCIATES

Secretary RIPLEY. Thank you, Mr. Chairman. I have sitting with me at the table this morning, from right to left: Mr. Jameson, Assistant Secretary for Administration; Mr. Yellin, our Chief Budgeting Officer; Mr. Hughes, the Under Secretary; Mr. Hohenlohe, the Treasurer of the Institution; and Mr. Peyton, who is in charge of our construction and facilities planning for the Institution.

In the interest of expedition, sir, I have sent forward and you have in hand a full statement, an introductory summary of our budget this year. And I believe that probably the most sensible thing for me to do would be to say that you might like to rest on that and perhaps ask me questions directly.

Senator McCLURE. Thank you very much, Mr. Secretary. I think that's a sign of the fact that you've been up here many times before. An experienced witness knows that we've seen the statement.

Secretary RIPLEY. Thank you, sir.

Senator McCLURE. May I turn the microphone to Senator Hatfield, chairman of the full committee?

QUADRANGLE FUNDRAISING CAMPAIGN

Chairman HATFIELD. Thank you, Mr. Chairman. Let me ask a question first about the matter of the Quadrangle. I believe that we have listed in your budget something in the neighborhood of $36 million to be matched on a one-to-one basis; is that correct?

Secretary RIPLEY. Yes, sir.

Chairman HATFIELD. And would you give to the committee the report on how much you have raised for that matching purpose from private resources? Do you believe the full $36 million should be appropriated this year or on an incremental basis?

Secretary RIPLEY. Thank you very much, Mr. Chairman. We are happy to say that in contrast to last year when I testified before this committee that we had so far raised some $3 million, as of yesterday the total that we have managed to raise in cash or in pledges comes to $26¼ million out of the $37½ million which we have guaranteed that we would raise to match the federally appropriated sum.

Of this, we have foreign pledges and gifts totaling close to $8 million. We have further prospects which I will be working on during the latter months of this year in the field of some more funds, and there's no point in detailing what they will be. But our domestic pledges and gifts, together with the Institution's trust funds total at the present time about $18 million.

We are very encouraged. And as I told the Senate Rules Committee the other day, we are positive that we will raise the necessary funds. We have been most encouraged by this aspect of the President's budget, which included the full sum of $36½ million for this year. If need be, that figure could really represent a kind of contract authority.

We know that in this coming immediate year of 1983, we will not be needing more than a matching $5 million of the $36½ million. But we will be marching steadily forward, as we did with the Air and Space

Museum in the past and the Hirshhorn, with contracts in hand and with money ready to meet the exigencies as we go along the next 3 years.

So we are very, very hopeful that the committee will view this as a most positive campaign and something that we are prepared to match dollar for dollar right down to the wire.

Chairman HATFIELD. Then I understand that you have raised in excess of $24 million in gifts.

Secretary RIPLEY. It stands at $26¼ million as of yesterday.

Chairman HATFIELD. And so do you expect that you could raise the remaining $10 million plus during the fiscal year?

Secretary RIPLEY. Yes; I believe that the prospects are very good that we will be able to do that.

Chairman HATFIELD. So that it would be very important, in your opinion, to appropriate the full Federal portion to be matched at this one time, rather than to do it in increments.

Secretary RIPLEY. Yes, sir, at least by contract authority because it works both ways, as you can see. If we go to our donors with the assurance that the Government is behind this project, and one of the ways of being behind it is to pledge to give us this money, then it helps me with the donors. And if we are able to assure the Government that, in fact, we have the money in hand, it helps reassure the Federal side.

Chairman HATFIELD. One last question. For the two components of this Quadrangle—namely, the African Museum and the Oriental Eastern Museum—could you indicate the approximate amount of money that has been raised from those foreign sources?

Secretary RIPLEY. Yes, sir. At the moment, pledges are in hand on the Oriental side from those countries, from countries abroad, in excess of $7 million, approximately $8 million. So far our funds directly for the African Museum consist of money that we know that we will secure from the sale of the houses where the present African Museum is located. Our African campaign is starting, but has not really gotten underway. We are planning to work in North Africa very soon and hope to have some foreign donations. But we have none at the present time.

Chairman HATFIELD. Do I understand you to say that a major portion of the total amount that you finally realize will be received from foreign sources?

Secretary RIPLEY. I think, sir, that it will be matched about half and half.

Chairman HATFIELD. Thank you very much. Thank you, Mr. Chairman.

QUADRANGLE CONSTRUCTION COST

Senator MCCLURE. Thank you, Senator Hatfield. Mr. Ripley, last year the total cost estimate was $48 million, of which the Federal Government was to put up half, or $24 million. The estimated cost now is $75 million. It's gone up $27 million in 1 year and you haven't even started yet. How firm is the $75 million figure?

Secretary RIPLEY. Mr. Peyton will support me, I think, in saying that during the past year, we have had ample time to restudy our estimates and we are now firm at $75 million for the whole project in what is known as 1985 dollars. Is that right, Mr. Peyton?

Mr. PEYTON. That's right.

Senator MCCLURE. So you're now firm. Will you be equally firm a year from now?

Secretary RIPLEY. Yes, sir. We will not come back to the Congress. We pledge that. We will not come back for more than the total sum of $37½ million.

Senator MCCLURE. I've heard that before from other witnesses.

Secretary RIPLEY. Yes; but you haven't heard it before from the Smithsonian. [Laughter.] I may say that our record is good in that respect, both with regard to the National Air and Space Museum and the Hirshhorn. We stood with one figure, which we demonstrated at the time that we asked for the major construction costs and we did not come back to Congress and we do not intend to do so in this case.

QUADRANGLE AUTHORIZATION

Senator MCCLURE. The Senate Rules Committee has scheduled to mark up the bill authorizing construction on the 13th of May. What action has been taken in the House regarding the authorization?

Secretary RIPLEY. The House Subcommittee on Public Buildings and Grounds, chaired by Mr. Fary, passed the bill last week and sent it forward to the full Committee on Public Works and Transportation with the recommendation that it be reported to the full House.

QUADRANGLE FIRE PROTECTION, SECURITY, AND LIGHTING

Senator MCCLURE. You indicate that the $75 million is a firm figure. It seems to me that construction is rather narrowly defined, at least as I understand. It does not include fire protection, security systems, or gallery lighting. Am I correct in that assumption?

Secretary RIPLEY. I would have to ask my associates to substantiate that, Mr. Chairman. Mr. Peyton?

Mr. PEYTON. Mr. Chairman, the fire protection system would be in place, including all the support aspects of the fire protection construction, sprinkler systems and the like.

In the case of some of the security devices, we would not actually put those in place until we had full access to the building. The General Services Administration will turn the building over to us when the completion of the construction takes place and we will have fixed the magnetic locks on the doors, the motion detection devices, and the like.

I believe that answers your question.

Senator MCCLURE. And the gallery lighting?

Mr. PEYTON. In the case of gallery lighting, the basic lighting would be supplied. We perhaps would want to add some track-type lighting—that's the adjustable variety that's used usually in galleries—as an equipment item.

Senator McClure. Well, then, the $75 million isn't firm.

Mr. Peyton. The $75 million is firm, sir.

Senator McClure. For what you plan, but not for the completed——

Mr. Peyton. For all construction-type items.

Senator McClure. You don't think that security systems or gallery lighting are part of the building?

Mr. Peyton. The basic capability to provide those is, all the wiring, the panel boxes, the viewing devices. The items installed with simple screwdrivers, pliers and that type of tool, we view as equipment to be installed after we acquire the building.

QUADRANGLE EQUIPMENT COSTS

Senator McClure. What's the total estimate for those items and the other equipment that will be required?

Mr. Peyton. Mr. Jameson?

Senator McClure. Mr. Jameson?

Mr. Jameson. Mr. Chairman, we estimate approximately $8 million for the movable type of equipment that would be installed once the Quadrangle project is completed. Those costs would be phased in in approximately fiscal years 1986 and 1987.

Senator McClure. It's my understanding that you plan to include those in your budget as operating costs; is that correct?

Mr. Jameson. Yes, sir.

Senator McClure. Now by any normal definition, those are part of the building. I just wonder why they're excluded here.

Mr. Jameson. Mr. Chairman, the bulk of this amount, which at this point is an estimate, is for movable items—exhibit cases, office and work space equipment and the like—which are not part of the construction project.

Senator McClure. Well, the furnishings obviously are not. But those things which are attached to the building become a part of the building in the normal legal sense. I don't mean to nitpick on that issue or upon that item. I'm just wondering if that was just a way of getting us to avoid adding up the total cost.

Mr. Jameson. Mr. Chairman, the estimate that I gave you of the $8 million is for items which would not be a physical part of the building, but equipment items that would be moved into it and, in effect, relocatable, not fixed in the building.

Senator McClure. Well, you can take out the windows or the doors and relocate them, too.

Mr. Peyton. The windows and doors are part of the construction.

Senator McClure. I understand that, and I'm glad that you do, too. [Laughter.] I hope you never move in and out of a building and have a lawsuit with the owners or the tenants. You'd never get by with the definition that you're trying to give us.

Mr. Hughes. Mr. Chairman, if I could comment——

Senator McClure. Surely, Mr. Hughes.

Mr. Hughes. It seems to me that the items of equipment that we're talking about here are those that will ultimately be associated with the exhibits that are in the building and they cannot effectively be installed in the building, but need to change and be moved and are separate, to that extent, from the building itself.

They are quite different, it seems to me, from the basic lighting of the building or the basic locks and so on. They must be associated with an exhibit and the lighting that is placed on it and the protection that is required.

Senator McClure. I understand. If the costs exceed the estimates, would private funds be generated to cover the excess?

Secretary Ripley. Yes, sir.

NATIONAL ZOOLOGICAL PARK CONSTRUCTION

Senator McClure. Let me turn to the zoo. For the National Zoo, $1,550,000 is requested for construction and improvements. Last year's justification stated that approximately $25 million would be required to complete the four remaining projects within the master plan. The 1983 justification shows a future requirement of $36,400,000. What is the basis for the 45 percent increase in the cost of the remaining projects?

Secretary Ripley. I'd like to ask Dr. Reed to come up here and sit at the table to speak to the issue of the zoo forward budgeting, please, Mr. Chairman.

Senator McClure. Thank you. Mr. Reed?

Mr. Reed. The forward budgeting encompasses a longer period of time and we are figuring in 15 percent as an inflation figure. In construction, some of the increase is due to the need for different types of construction design to keep up with the state of the art.

Senator McClure. Could you indicate for the record that which is expected inflation in construction costs and that which is change of design or change of plan?

Mr. Reed. Certainly.

[The information follows:]

Master Plan Cost Estimates

There are four remaining projects in the master plan, as projected in the fiscal year 1983 request. Of the $11.4 million cost increase estimated for fiscal year 1983 compared to last year's justification, $10.4 million is attributable to inflation. This is reflected in a 4-year delay in starting the aquatic habitat and the health and research hill projects; a 2-year delay for the parking facility and a 1-year delay for the entranceway and Olmsted walk exhibit. An additional construction cost of $1 million is for design of phase 2 and updating the design of phase 1 of the aquatic habitat exhibit in fiscal year 1985.

AQUATIC HABITAT FACILITY

Senator McClure. Testimony presented to the committee last year indicated that the aquatic habitat facility, which was then estimated to cost a total of $9,800,000 would be scaled down. I understand that conversations with the staff indicate that it's still the plan to scale it down. But, in fact, the 1983 justification shows that the current estimate is $17,500,000, as contrasted to a project before being scaled down of just slightly over half that sum.

Secretary RIPLEY. May I speak to that, Mr. Chairman?

Senator MCCLURE. Of course, please.

Secretary RIPLEY. We are still anxious to continue scaling down the aquatic habitat.

Senator MCCLURE. Well, if you keep on scaling it down, we won't be able to afford it.

Secretary RIPLEY. That is quite right. [Laughter.] If we keep on scaling it down, we'll have to depend on the Baltimore Aquarium.

Senator MCCLURE. I'm concerned about it because the scaled-down facility is almost twice as much.

Secretary RIPLEY. That's right. It seems to me that the energy consumption inherent in such a sophisticated building would require us to continue to study this proposal in depth and insure a reasonable budget for the future.

Senator MCCLURE. Again, Mr. Reed, if you could give us some reason why a scaled-down facility doubles in cost, I'd be intrigued.

Secretary RIPLEY. Dr. Reed, would you like to answer that one?

Mr. REED. It's a very difficult one to totally explain because of the design phase that we've been going through, and we only have the first part of the design completed. It was originally planned for a two-phase construction.

The cost of the equipment of the building rises, despite the fact that we had eliminated and scaled it down. Also, moving into future years, the inflationary figure had to be added into it.

Senator MCCLURE. Again, will you give us for the record a breakdown between the escalation in costs and the costs associated with the change?

Mr. REED. Yes, sir.

Senator MCCLURE. It seems impossible to me that increased construction costs, even though you may have estimated them at 14 or 15 percent annual inflation, can explain the doubling of cost of a scaled-down facility. But if you would provide that for the record, please.

Mr. REED. We'd be delighted.

[The information follows:]

CONSTRUCTION COST INCREASES

The fiscal year 1983 budget request projects a total cost of $17.5 million for phase 1 and phase 2 of the aquatic habitat exhibits compared to the fiscal year 1982 estimate of $9.8 million. The $7.7 million increase includes (a) $1 million for updating the plans for phase 1 in fiscal year 1985 which will have been on the shelf for over 3 years and for the design of phase 2. The state of the art in water quality design may change during this time and we must keep pace with the changes. The design phase for the scaled-down plan is complete and includes a two module facility for manatees and penguins along with basic educational signage. (b) $4.5 million for inflation due to the construction of phase 1 in fiscal year 1986. The original estimate of $6 million for construction costs in fiscal year 1982 with no design changes, would be inflated approximately 15 percent per year escalating the cost to total $10.5 million. (c) $2.2 million for inflation increasing the cost of phase 2 of the exhibit to $5.5 million which will be used to fund the final module for sea otters and an expanded educational module in fiscal year 1986. The fiscal year 1982 budget request estimated this phase to be funded in fiscal year 1983 at $3.3 million.

ZOO PARKING FACILITY

Senator McClure. In the past year, the estimated cost of the parking facility has escalated by $1.5 million and the start of construction has been delayed by another 2 years. Even with this 2-year delay, the estimate of $2 million in parking fees which will be used to offset the construction costs has not changed.

If we are going to wait an additional 2 years, why isn't there some increase in the parking fee?

Secretary Ripley. We discussed this yesterday in our own meeting, Mr. Chairman, and I feel sure that this is an underestimate. I personally am very anxious to advance the parking construction because it would save valuable space which could be well used for purposes of visitation and tourism in the zoo.

I think there has been slippage in terms of the estimate of receipts, merely slippage and not firm estimates.

Senator McClure. I wonder if you could give us an updated figure both as to the construction time and the parking fees?

Secretary Ripley. We'd be very happy to do that, Mr. Chairman.

Senator McClure. Thank you.

[The information follows:]

Parking Facility Construction

Due to the 2-year delay in the planned construction of the parking facility, now scheduled for fiscal year 1988, the construction cost estimate is $13 million. The cost increase of $1.5 million compared to fiscal year 1982's budget request estimate is attributed to inflation. We currently have on hand, in our parking revenue account, nearly $1.3 million of the total construction cost. It is anticipated that by fiscal year 1988 the parking revenues plus interest will provide over $3 million toward the total need of $13 million.

RESTORATION AND RENOVATION OF BUILDINGS

Senator McClure. Most of the repair and renovation projects seem to be coming along within earlier projections. Two notable exceptions, however, are the roof and exterior renovation costs of the Arts and Industries Building, the estimates for which are up 140 percent, and the roof, facade, and terrace repairs at the Air and Space Museum, which are up 100 percent.

Why have the costs for work at these two facilities gone up so much?

Secretary Ripley. Thank you, Mr. Chairman. I think that Mr. Peyton can answer this directly.

ARTS AND INDUSTRIES BUILDING EXTERIOR RENOVATION

Mr. Peyton. In the case of the Arts and Industries Building, the present cost as projected in the documents that you have is based upon completed work by the architectural planner we have engaged to complete the necessary contract documents.

However, even in a more recent development within the last 30 days, we find that one-fourth of the Arts and Industries project we can do for approximately $2 million. Setting the question of inflation aside for a moment, the total cost of the Arts and Industries Building is now projected for $8 million.

Senator McClure. Who did you hire to make your estimates? And have you paid him?

Mr. Peyton. The architect engineer and our own staff felt that the estimate that was projected was a correct one.

Senator McClure. If I understand, last year you said that the total cost over 1982–86 would be $5 million. This year you're telling us it's $12 million over 1983–87. And now you're telling us it's $8 million.

Mr. Peyton. The current figure is $8 million.

Senator McClure. Is that for the total?

Mr. Peyton. Yes, sir.

Senator McClure. Well, I suppose that you're as perplexed as I am as to how it can fluctuate from $5 to $12 to $8 million in a period of less than 12 months.

Mr. Peyton. Well, the explanation that I would offer, sir, is that this, as well as most of the Smithsonian restoration and renovation projects, are virtually one of a kind. There is a great deal of handwork involved and exploration to determine actually what needs to be done virtually on a square-yard by square-yard basis.

We do this in the case of this particular project by photographing the facade of the building and marking up the drawings to show the areas in which bricks must be raked out by hand and repointed to correct for the old mortar which was part of the original building. It's a hand-done job, so to speak.

Senator McClure. I understand your saying it's a hand-done job, but I still don't understand how it fluctuates so much in the estimates.

Mr. Peyton. Well, it fluctuates because the initial estimate was developed on the basis of what we thought would be the cost per square foot. In the final analysis, detailed quantity take-off must be made to determine what the actual cost is. The contract that we're about to award in the next 10 days represents the latter; namely, the contractor and our own staff have sat down and counted on an item-by-item basis so many feet of gutter to the replaced, so many bricks of a special character that have to be replaced in the building, so many square feet of roofing, so many square feet of window pane, so many gallons of paint, so many hours of work.

NATIONAL AIR AND SPACE MUSEUM RENOVATION

You also asked about the Air and Space Museum. We made some early estimates as to what we thought it might cost to correct some difficulties that we have incurred there. There is some water in the garage level of the basement and we do have some cracks in the pavement and we have had some leaks around some of the skylights and other similar difficulties.

To insure the recognition of anticipated problems, these were placed in our 5-year planning document on the best price that could be developed at the time.

Since then we have engaged a specialist in waterproofing and he has conducted a comprehensive study. He has indicated some solutions that he feels we should consider in moving ahead toward correction of the problems. Some of the solutions that he has developed are very expensive. They're also very disruptive considering that this is our most popular museum, open 7 days of the week. And I believe that for some of the solutions that he recommended, we must find some compromise measures.

We have put down the costs of his recommendations and in the coming months, we will begin to explore them in further depth and just see what we can do. I would expect that the numbers that we have in our 5-year plan could be refined as we move ahead.

Once again, as I said in the case of the Arts and Industries Building, these are really one-of-a-kind types of projects and they're aggravated—if that's the correct word—by the fact that we maintain the environment in our buildings around the clock, 7 days a week, and, of course, as I said before, we're open 7 days a week.

Senator McClure. Well, I do note that in 1986 and 1987 costs, the estimate has doubled. I'd be concerned that you do pursue that and attempt to find out why those estimated costs would double.

Mr. Peyton. Well, the purpose of our 5-year plan is to identify some problems that will need to be corrected. In many cases, in the outyears, we don't really have a fully refined estimate of what those corrective measures will take.

ENERGY CONSERVATION

Senator McClure. More than 25 percent of the funds in the restoration and renovation of buildings account are spent for upgrading of utility systems. Have these expenditures resulted in any quantifiable energy savings?

Mr. Peyton. Considerable energy savings have been identified as a result of upgrading our utility systems. I would like to provide the details for the record.

[The information follows:]

Utilities Costs Savings

Other energy conservation measures coupled with limited systems upgradings completed to date have already resulted in an estimated utilities cost avoidance of $2 million. The comprehensive HVAC studies and energy audits currently being performed for most of our buildings are identifying redesign or replacement needs of existing HVAC systems and pointing out energy conservation opportunities. Projected utilities costs savings are being calculated for each recommended upgrading. Once these changes are made, it is estimated that construction costs will be recouped somewhere between 1 to 5 years through utilities cost avoidance.

RESTORED POSITION FUNDING

Senator McClure. I have some additional questions which I will submit for the record with respect to postage, telephone costs, and utilities, and there may be some others in that category.

But I would like to switch a moment to administration. As part of the fiscal 1982 budget revisions, 96 positions were cut from the Smithsonian's request. Thirty-six of those were originally proposed as new positions and 60 slots were vacant at the time. Funds were added to restore 69 of these positions. But the 4-percent reduction precluded the Smithsonian from filling these positions.

In the fiscal 1983 budget, funding is requested in the amount of $1,125,000 to fund the cost of these 69 positions. On the average, how long have the 60 positions been vacant?

Secretary RIPLEY. I think Mr. Yellin can answer this question directly, Mr. Chairman.

Mr. YELLIN. On the average, Mr. Chairman, these positions have been vacant for over 1 year.

Senator McCLURE. Of the 60 vacancies, how many fall under protection services?

Mr. YELLIN. There are eight, sir, that were sought for the protection services.

Senator McCLURE. If funds were provided only to cover the costs of the vacancies rather than adding the new positions, what would be the cost savings?

Mr. YELLIN. I believe it would be approximately one-quarter of our request, but I would like to follow up on that and submit it for the record.

Senator McCLURE. If you would do so, please.

[The information follows:]

COST OF FILLING VACANT POSITIONS

The cost of filling only the vacant positions allowed by the Congress in fiscal year 1982 would be $845,000, a savings of $280,000 from the Institution's request of $1,125,000.

MUSEUM SUPPORT CENTER STAFFING

Senator McCLURE. How does the $1,125,000 request for the 69 positions compare to the actual annualized cost once all positions are filled?

Mr. YELLIN. That would be the same amount, sir.

Senator McCLURE. So this is assuming that they're filled for the entire fiscal year.

Mr. YELLIN. Yes, sir.

Senator McCLURE. It appears that within the next several years, the Smithsonian will have significant requirements for new positions associated with the Museum Support Center and the Quadrangle. Have you an estimate of the number of new positions for these two activities which will be required in the next 5 years and the estimated salary costs?

Secretary RIPLEY. Mr. Jameson has these figures, Mr. Chairman.

Mr. JAMESON. For the Museum Support Center, Mr. Chairman, we estimate approximately 100 new positions, of which we will need roughly 66 in fiscal year 1983 on a part-year basis. The cost of those positions in fiscal year 1983 will be about $1 million. And the full-year cost of the 100 positions will be on the order of approximately $2.1 million when the building is fully operational by approximately fiscal year 1984.

Senator McCLURE. Now that $2.1 million is $2.1 million per year at the end of that period?

QUADRANGLE OPERATING COSTS

Mr. JAMESON. Yes, sir. For the Quadrangle, we are predicting that our operating cost of the Quadrangle will be on the order of $28 million when the project is fully operational. That will be over the period of about fiscal year 1987, fiscal year 1988.

QUADRANGLE STAFFING

I would like to note for the record that a little better than half of that figure is represented by trust funds for operating cost of the project. We are estimating, and this, indeed, is an estimate, several years off of realization, about 170 additional positions for the Quadrangle to add to the current base, which is heavily trust-funded, of about 140 positions represented by the organizational units that would go into that project, the resident and national associates programs, the traveling exhibition services.

I would estimate, using our current average salary costs, that those 170 jobs would cost on the order of about $3½ million.

Senator McCLURE. The $28 million was total operating expenses?

Mr. JAMESON. Yes, sir, including the estimate that I gave you for personnel costs.

Senator McCLURE. And again, I will submit some questions for the record with respect to the operating costs for the Museum Support Center.

MUSEUM SUPPORT CENTER STORAGE EQUIPMENT

In fiscal years 1981 and 1982, a total of $5,276,000 was provided for collections storage equipment for the Museum Support Center. How much of that has been obligated to date?

Secretary RIPLEY. Mr. Perrot, who is our expert on these matters, and who is awake at this time—I believe he got in late last night from abroad—is here to speak on the question of collections management equipment. He's the Assistant Secretary for Museum Programs.

Senator McCLURE. Thank you.

Mr. PERROT. Mr. Chairman, we expect to be issuing tomorrow a bid solicition, spending the funds that were appropriated in 1981. For 1982, the funds have not yet been committed. We expect that they will be committed in the latter part of this fiscal year.

The reason for the delay, Mr. Chairman, is that we are proposing something entirely new in the museum world in the matter of storage equipment. Complexities have arisen in design as well as in the opinions of contractors who have been consulted and who have bid previously on the project.

You will recall from the record, that bids were received some months ago which were in excess of the amount which was available. These bids were rejected on the basis that sufficient funds were not available, in addition to the fact that the contractors did not fully understand what we were seeking.

Therefore, the designs have been revised and are being submitted for bid tomorrow. The whole matter is being handled by the General Services Administration, who has been very helpful in this matter, but there have been delays. We expect, however, that by the end of this fiscal year, the project will be moving.

If I might add a footnote to this, anticipating a question that might be asked, the funds that we asked for in 1981 are essential. Those we have in 1982 are essential, as are the ones that we are asking for in 1983, because of the economies of scale. What we are proposing is new and complex. The cost will be lower if we can maintain the economies of scale; that is, maintain the budget in the fullest amount.

Therefore, we consider this the highest priority for the Museum Support Center and the Institution.

NEW BIDS FOR MUSEUM SUPPORT CENTER EQUIPMENT

Senator McClure. From your conversations with suppliers, do you expect the new bids to be successful?

Mr. Perrot. We have every anticipation of this, yes, sir.

Senator McClure. In view of the delays experienced in obtaining the equipment, can we delay appropriating the $3,157,000 requested for 1983?

Mr. Perrot. Mr. Chairman, we would strongly recommend against this since we are hopeful that we can, having this amount appropriated, invite contractors to provide a better bid. Since the matter is complex, requiring special equipment, special parts, economies of scale would not be achieved. Therefore, we feel very strongly.

Senator McClure. When do you expect the bids to come in on the solicitation?

Mr. Perrot. We expect to have the bids in July for the first phase and be able to make an award in August and commence by the end of the fiscal year.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. Thank you, Secretary Ripley, and I thank you and all of your people for your testimony today. There will be some additional questions which I will submit and others may also submit some further questions. We would ask that you and your staff respond for the record.

Secretary Ripley. Thank you very much, Mr. Chairman.

Senator McClure. Thank you, sir.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Quadrangle Construction

Question: Current Federal funding for the staff and programs which will be housed in the new facility is under $3 million annually. What are the staff and program costs associated with these programs when the building is completed?

Answer: Based on planning that has taken place by the activities that will be located in the Quadrangle, it is forecast that their annual operating budgets will total in the range of $26 to $28 million expressed in the fiscal years 1987 - 1988 dollars when the Center for African, Near Eastern, and Asian Cultures are operating at a full programmatic level. Of this total, approximately sixty percent of expenses will be met with Trust funds. Present budgets of the activities that will be relocated to the Center total almost $14 million, most of which are Trust funds. Total staffing of the Center is estimated at about 319 persons of whom about 146 are presently budgeted. The increase of some 173 is composed primarily of positions to staff the new Near Eastern and Asian facility (27), to augment the program of the Museum of African Art (15), to provide adequate security for the overall Center for day and evening activities (72), and to maintain, clean, and operate some 363,000 square feet of building space and over 4 acres of grounds (56).

Question: Construction is scheduled to take about three years. Why can't the Federal share be funded in installments rather than a lump sum?

Answer: In our view the most desirable course of funding for the Quadrangle would be to receive the full lump sum amount of $36.5 million that we have sought as the Federal share in our FY 1983 authorization and budget requests. A lump sum appropriation would enable us to get the best possible price and accept a single competitive bid at a time when we believe market conditions will be particularly favorable, namely, January 1983. It would also assure uninterrupted progress on this unique project. Furthermore, because construction will be 95 percent underground and require substantial intrusion into the water table, as well as special foundations due to the proximity of three landmark buildings which have only rudimentary foundations, we consider it essential to have a single source of liability throughout the entire period of construction, not only for the new building, but to assure also the structural integrity of the Smithsonian Institution Building, the Freer Gallery, and the Arts and Industries Building.

The receipt of appropriations in installments would require us to rebid the project, subject us to the possibility that a second contractor would replace the first in FY 1984, and, in all likelihood, drive up the total cost. Moreover, under this method, a single source of liability may not be possible.

Recognizing the need of the Congress to be assured that Trust funds are available to match the Federal contribution, we have determined that it would be possible to expend equal amounts of Trust funds and Federal funds on a dollar-for-dollar basis as the project progresses.

Question: Approximately half of the required non-Federal funds have been raised. Should the Smithsonian encounter difficulties in raising the balance of the funds, what would be your position--would you expect Federal appropriations to make up the difference?

Answer: No, the Institution would not seek additional Federal appropriations to make up the difference.

Uncontrollable Increases

Postage Costs

Question: $5 million, 529 thousand in the Salary and Expenses account is listed as "uncontrollable increases." Among the items is $251 thousand to cover the increased cost of postage. In fiscal year 1982 you requested, and were granted, an increase of $185 thousand for postage. The postage rate increase last year was 3¢ and the March increase was 2¢. Therefore, the funds requested for fiscal year 1983 would provide increased postage costs for more than twice the volume of mail as would the '82 request. What is your base for postage costs and what is your approximate annual volume of mail?

Answer: The postage rate increase last year of 3¢ and the March increase of 2¢ was for first class domestic letter mail. This type of mail accounts for only approximately 30 percent of our volume and costs. Costs for other classes of mail, such as 3rd class bulk, packages and foreign mail, which comprise the major portion of our volume and costs, also have risen steadily due to sharp rate increases. Rate increases imposed on foreign mailings had the single most significant effect on Smithsonian postage costs, raising them by 28 percent. The fiscal year 1983 requested increase of $251 thousand would bring base resources in line with projected costs for this period. A comparison of base and actual postage costs over fiscal years 1981 - 1983 follows:

Postage
(000s)

	FY 1981 Actual	FY 1982 Estimate	FY 1983 Estimate
Base	$ 649	$ 834	$1,085
Costs	975	1,100	1,200 /1

/1 The Institution is taking steps to reduce this figure to the budgeted level of $1,085,000. Some of these steps include: (1) reclassifying mailings eligible for lower classes of service; (2) reducing the size of our mailing lists; (3) restricting the use of "special services such as registered and express mail; (4) sending domestic packages at parcel post rate; and (5) restricting the use of "Air Mail" service for international packages.

The Institution does not maintain "actual" mail volume statistics. Approximately 60 percent of the postage costs that are determined by the Postal Service are based on two sample counts taken every year of all outgoing mail sent from the Smithsonian's central mail services center. Each mail count lasts one week and the figures vary depending upon when the counting occurs. Using the sample count, the volume and cost are "averaged" out by multiplying the number of pieces that are counted by 52 weeks by the rate for each of the various sizes and classes. The remaining 40 percent of the postage costs are due to bulk mailings (contractor mailings, reprints, books and other printed bulk matter) and are added to the costs that are determined from the sample counts. The combined figures, sample plus bulk costs, represent the total annual Smithsonian postage costs.

Telephone Costs

Question: An increase of $763 thousand is requested for telephone costs. The Smithsonian was granted an increase in fiscal 1982 of $275 thousand for telephone costs. Since fiscal 1981, your telephone costs have increased by almost 90 percent -- from $1 million, 208 thousand to $2 million, 246 thousand. What have been the actual percentage increases in the rates from fiscal 1981 projected through fiscal 1983?

Answer: Rate increases of 21 percent (or $157 thousand) and 30 percent (or $281 thousand) were granted to the C&P Telephone Company for local telephone services in May 1981 and May 1982 respectively. In June 1981, the General Services Administration instituted a rate increase of 52.9 percent (or $281 thousand) for the operation of the Federal Telecommunications System service. In addition, the Institution's FY 1983 estimate has been adjusted by approximately $250 thousand to take into account rate increases anticipated as a result of the impending separation of local telephone companies from the centralized Bell Telephone System.

A minor part of the cost increase ($125 thousand) is attributable to a 9 percent growth in the number of telephone sets between fiscal years 1981 and 1983.

Utility and Fuel Oil Rate Increases

Question: An increase of $686 thousand is requested for utility rate increases and for fuel oil rate increases. In fiscal 1982, the Smithsonian received an increase of $1 million, 440 thousand for these items. In view of the declining world price of oil, it appears that perhaps the '82 increase was overgenerous. Realizing that this budget was prepared months ago, do you still feel that these increases are required in the amounts justified?

Answer: Current estimates for electricity, steam, gas and fuel oil indicate that our fiscal year 1981 costs will provide approximately $700 thousand to a $1 million surplus in these accounts. The major reasons for this surplus have been conservation efforts promoting reductions in consumption, favorable weather patterns, the elimination of late opening hours in most of our buildings, and the declining world price of oil. However, an uncertainty is costs associated with the Museum Support Center. Earlier than scheduled Smithsonian occupancy or other factors make it difficult to forecast what our expenses will be in this new and untested facility. Also because we can not predict with any reasonable accuracy what the weather conditions will be or when oil prices will start to rise in the coming months and at what rate, we think that the current request for fiscal 1983 is a prudent one. If these events occur more slowly than projected in our request, we will seek only minimal additional funds for the utilities account in FY 1984.

Inflation

Question: Beginning with fiscal year 1981, the Smithsonian has annually requested an inflationary allowance based on seven percent of the nonsalary items in its budget. That allowance totals $1 million, 700 thousand for fiscal year 1983. How did you cover these cost increases prior to fiscal year 1981?

Answer: Prior to FY 1981 OMB did not allow inflationary cost increases to be sought. These were either absorbed in the bases of the museums and bureaus causing a reduction in the quality and quantity of Smithsonian programs, or sought separately as program increases. For the preparation of the fiscal year 1981 budget, OMB supplied pricing guidelines which acknowledged the effects of inflationary pressures and permitted the Smithsonian to request an inflationary increase of up to 10.3 percent of nonsalary object classes of expenses for this purpose. Accordingly, the Smithsonian requested a percentage increase of seven percent of the total nonsalary object classes of expenses for inflationary cost increases in FY 1981 and in subsequent budgets. These requests have been modest given the large inflationary cost increases that have been fully detailed in our budget justifications.

Museum Support Center Conservation Training Program

Question: Once the Museum Support Center is completed, it is planned to initiate a conservation training program "to fill an essential national need." The first class is to be admitted to the training program in fiscal 1983. Who will teach the classes and who will be admitted to the program?

Answer: The development of a conservation training program at the Museum Support Center is a high priority. However, it is unlikely, at the moment, that more than a pilot program can be initiated by the latter part of fiscal year 1983. Under present and foreseen circumstances it is expected that by 1983 the program will have a director and that the faculty will consist of Smithsonian conservation personnel as well as consultants from other training centers. The curriculum is being developed in cooperation with area universities and it is anticipated that members of their staff also will be participating. As arrangements are developing, the University of Maryland will be particularly involved in view of its long-standing interest in conservation, related matters and the location of the Support Center in the State of Maryland. Admission to the course will be governed by requirements being jointly established by the Smithsonian and the cooperating universities.

Question: What will be the cost to the participants?

Answer: The schedule of fees for participating in the course has not yet been developed. It has been found by other conservation training organizations such as the University of Delaware, New York University, Cooperstown and Harvard, that full or partial subsidies are required to obtain high quality applicants. The financial rewards in conservation are modest and, although they are improving, it is unrealistic to expect any but the smallest percentage of students to be able to underwrite these specialized studies on their own.

Question. What is the annual estimated cost to the Smithsonian of conducting this training program?

Answer: Since the curriculum is still in process of being developed, it would be premature to estimate the scope of these costs.

Question. When the program is in full operation, what will be the size of the classes?

Answer: Due to the highly specialized nature of conservation and the need for a one-to-one involvement between student and instructor in the hands-on aspects of the training, it is expected that in the first year no more than four to six students will be accepted, the number gradually rising to between fifteen and twenty.

Question: For the record, please provide a listing of other institutions which offer a comparable training program.

Answer: In developing this program, the Institution and the associated universities have been intent in avoiding unnecessary duplication of the areas of training offered by the existing programs, which are at the Conservation Center of the Institute of Fine Arts, New York University; the University of Delaware in cooperation with the Henry Francis DuPont Winterthur Museum; the Fogg Art Museum of Harvard University; and the Cooperstown Graduate Program at Cooperstown, New York. The Institution's program will concentrate heavily on training for conservation of archeological, ethnological, textile, paper and furniture materials. In all of these museum collection areas, there is a great need for trained personnel and this need is not currently being satisfied by any existing program.

U.S. HOLOCAUST MEMORIAL COUNCIL

STATEMENT OF ROBERT E. AGUS, DIRECTOR

ACCOMPANIED BY:

DR. HILLEL LEVINE, DEPUTY DIRECTOR, OPERATIONS
MARIAN CRAIG, STAFF ASSISTANT
HAROLD H. MILLER, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION, CHIEF, DIVISION OF PROGRAMING AND BUDGET

BUDGET REQUEST

Senator McCLURE. We will now turn to the Holocaust Memorial Council. The fiscal year 1983 budget request for the Council totals $820,000, an increase of $52,000 over fiscal year 1982 appropriations to date.

Mr. Agus, please introduce your associates at the table who will be presenting testimony this morning, and then, if you wish to, you may highlight your statement or deliver it. It will, of course, appear in full in the record.

Mr. AGUS. Thank you, Mr. Chairman. My name is Robert Agus. I am the Acting Director of the Holocaust Memorial Council. On my left is Ms. Marian Craig, who is our staff assistant; Harold Miller, who is the Chief of the Division of Programing and Budget of the National Capital Region of the Park Service; and on my right, Dr. Hillel Levine, who is the Deputy Director of the Council.

I appreciate the opportunity to appear before you to present for your consideration the fund requirements for the U.S. Holocaust Memorial Council for fiscal year 1983.

The appropriation for the U.S. Memorial Council for fiscal year 1982 was $786,000. We are requesting $820,000 for fiscal year 1983, a net increase of $52,000.

Major changes from fiscal 1982 are: $10,000 to expand the days of remembrance to nationwide observances; $75,000 for planning and carrying out an architectural competition and for National Environmental Policy Act compliance. This is offset by a reduction in advance planning of $35,000. And $2,000 for operating expenses.

No additional personnel are requested.

The U.S. Holocaust Memorial Council was established by Congress to: provide for appropriate ways for the Nation to commemorate the days of remembrance; plan, construct and oversee the operations of a memorial/museum to the victims of the Holocaust; and to carry out the recommendations of the President's Commission on the Holocaust.

The Council has already made substantial progress in establishing the annual, national, civic commemoration of the Holocaust in conjunction with the international day of remembrance, known in Hebrew as Yom Hashoah. In fiscal year 1981, appropriate ceremonies were held in 29 States and several cities, with the principal observance in Washington, D.C. The first national days of remembrance ceremony, sponsored by the U.S. Holocaust Memorial Council, took place on Thursday, April 30, 1981, in the East Room of the White House with the President participating. Members of Congress, the diplomatic corps, Government officials, and distinguished guests attended.

The national civic commemoration of the days of remembrance for 1982 was a two-part ceremony held in the Capitol Rotunda and the White House on Tuesday, April 20, 1982. In the Rotunda, which was made available pursuant to a joint resolution of Congress, the major participants were the Speaker of the House, Thomas P. O'Neill, Jr., Senator Ted Stevens, majority whip of the Senate, and Elie Wiesel, Chairman of the Council. President Ronald Reagan and Elie Wiesel were the speakers at the White House ceremony.

In addition to the national commemorative observance, 42 States, 2 territories, and the District of Columbia conducted a statewide civic commemoration. A number of major cities also held observances.

Ten Government agencies throughout Washington, D.C. displayed 21-poster exhibits—the pictorial history of events of the Holocaust. In addition, the National Archives and the Department of Education conducted special commemorative programs in Washington, D.C.

Additional funds of $10,000 are requested in fiscal year 1983 to expand observances to all 50 States and all major cities, to encourage active programs in churches and synagogues, and to stimulate dialog in meetings with university and college presidents and leaders of student organizations.

The International Liberators Conference, held at the U.S. Department of State, October 26 through October 28, 1981, was a historic occasion honoring those who liberated the Nazi concentration camps. Official delegations from 13 nations, liberators from 40 States across the United States, and several hundred additional liberators, high Government officials, distinguished citizens and survivors attended the plenary sessions. The proceedings were videotaped for use in the U.S. school systems and libraries, and for other interested groups throughout the world.

A site for a memorial/museum has been located in existing vacant Government buildings. A formal announcement should be made this spring at which time a fundraising program will begin. Themes to be presented in the memorial/museum are being developed. This work is scheduled for completion in fiscal year 1982. Structural drawings of current conditions of the existing buildings will be undertaken in fiscal year 1982. A design competition for the memorial/museum is proposed for fiscal year 1983. Design will require compliance with the National Environmental Policy Act. Coordination will be made with the State historic preservation officer, the National Capital Planning Commission, the Commission of Fine Arts, the Advisory Council on Historic Preservation, and the Secretary of the Interior.

Funds will be required in fiscal year 1983 to pay for planning and carrying out an architectural competition and to prepare materials and make a presentation to the various review and approving councils and agencies, and to comply with the NEPA requirements. As required by legislation, donated funds will be used for the construction of the memorial/museum. A private foundation has been established to oversee the fundraising activities.

Plans have begun for the Committee on Conscience. This committee will be designed to serve as an early warning system against threats of genocide against any people any place in the world. The Council is currently planning appropriate functions that the Committee on Conscience might undertake.

The Council has been quite fortunate in establishing excellent working relationships with a number of Federal agencies, in addition to its ongoing support by the National Capital region of the U.S. Park Service. A formal memorandum of interagency support and cooperation has been signed with the National Institute of Mental Health. The National Endowment for the Arts is active in cosponsoring a series of seminars focused on museum planning. The Woodrow Wilson Center, the Smithsonian Institution, and the Department of Education are all working closely with the Council. Needless to add, the General Services Administration has been most gracious and helpful.

Mr. Chairman, I shall be pleased to answer any questions you and other members of the committee may have about the U.S. Holocaust Memorial Council.

Senator McClure. Thank you very much, Mr. Agus.

In fiscal year 1982, $50,000 is being spent for observances of the days of remembrance. An additional $10,000 is requested to expand these observances nationwide. Could you describe for us exactly how the Council uses these funds?

Mr. Agus. Yes, sir. We have a number of exhibits that Ms. Craig could tell us the exact cost of, but they're in the $10,000 to $20,000 range. We have a variety of programs that we promote in the various States. As I mentioned, last year there were 29; this year 42. And next year, God willing, there will be 50 States. It requires a great deal of staff time and some contract services to assist the localities and the States to develop their programs.

In addition, we are looking toward developing other materials, such as films and other resource materials to use.

Senator McClure. Could you provide for the record a breakdown in detail of how the money is expended of the $50,000 that is programed and of the $60,000 that you have requested?

Mr. Agus. Yes, sir.

[The information follows:]

DAYS OF REMEMBRANCE

	1982[1] projected cost	1983 estimate
Personnel (overtime and consultants)	$12,400	$14,400
Photography and video record	6,300	6,300
Publications	12,500	15,500
Logistics	7,500	9,500
Exhibits	3,100	6,100
Musical participation	8,200	8,200
Total	50,000	60,000

[1] All costs are not yet in.

ARCHITECTURAL COMPETITION

Senator McClure. $75,000 is requested for planning and carrying out an architectural competition for the design of the proposed memorial/museum. Will there be a cash award associated with the competition?

Mr. Agus. No, sir. Those funds will be used to set up the competition, but not to provide any cash award.

Senator McClure. Have any funds been raised to date toward construction costs?

Mr. Agus. No, sir.

Senator McClure. Have you set a date to announce the selection of the site?

Mr. Agus. We are awaiting word from the White House. The President intends to participate in that announcement.

Senator McClure. But it's imminent?

Mr. Agus. Yes.

Senator McClure. As imminent as anything emanating from the White House. [Laughter.]

Mr. Agus. Yes; actually, the formal transfer has, in fact, occurred; the appropriate letters have passed between the Council Chairman and the Secretary of the Interior. We're awaiting the ceremony, which will occur when the President feels it's appropriate.

Senator McClure. What decisions have been made regarding the duties and methods of operation of the Committee on Conscience?

Mr. Agus. To be honest, not much has been decided in terms of the Committee on Conscience.

Senator McClure. Will any portion of the fiscal 1983 budget be used to support the Committee on Conscience?

Mr. Agus. I think a small portion, which we will supply you, in detail, for the record.

Senator McClure. If you would do so.

[The information follows:]

COMMITTEE ON CONSCIENCE

Public Law 96–388 (dated October 7, 1980), paragraph (3), provides that the U.S. Holocaust Memorial Council "shall develop a plan . . ." for, for example, the Committee on Conscience as recommended by the President's Commission on the Holocaust: "The Commission recommends that a Committee on Conscience composed of distinguished moral leaders in America be appointed. This committee would receive reports of genocide (actual or potential) anywhere in the world. In the event of any outbreak, it would have access to the President, the Congress, and the public in order to alert the national conscience, influence policymakers, and stimulate worldwide action to bring such acts to a halt."

To fulfill this mandate, the Council created a planning committee for the proposed Committee on Conscience, with six members and an *ex officio* member from the Department of State [section 2(a)]. The planning committee has not met since November 1980 due to the extensive travel schedule of its chairman. However, in fiscal year 1983, it is anticipated that the planning committee will convene twice, supported by telephone conference calls. Travel, per diem, and compensation (when requested) for the planning committee members is projected to be $1,600 per meeting, for a total of $3,200 in fiscal year 1983.

COMPENSATION FOR MEMBERS OF COMMITTEE ON CONSCIENCE

Mr. AGUS. But basically, to bring the committee together for committee meetings.

Senator McCLURE. Testimony last year indicated that the question of compensation for members of the Committee on Conscience has not yet been addressed. Has a recommendation been made yet on that question?

Mr. AGUS. I'll defer to Ms. Craig?

Ms. CRAIG. No; the Committee has not decided what action will be taken.

Senator McCLURE. Do you expect to take that action soon?

Ms. CRAIG. I think we can expect to when the committee meets. Its Chairman, Bayard Rustin, has been traveling extensively this year on human rights issues, and the committee has not met as yet.

Senator McCLURE. I wonder if you would provide for the record when that event occurs, what the decision may be.

Mr. AGUS. Certainly.

PERSONNEL COSTS

Senator McCLURE. For personnel costs, $386,000 is requested. Are all 10 of your authorized full-time equivalent positions filled?

Mr. MILLER. There are two vacancies at the moment. There are two Deputy Directors that are vacant and there's also one less-than-full-time position on the National Park Service staff vacant.

Senator McCLURE. Is it intended to fill those soon?

Mr. AGUS. Yes, it is. We intend to fill one Deputy Director slot within the next couple of weeks and the other soon thereafter. The National Capital region slot we will also fill.

Senator McCLURE. Thank you very much, Mr. Agus.

Mr. AGUS. Thank you.

ADVISORY COUNCIL ON HISTORIC PRESERVATION

STATEMENT OF ALEXANDER ALDRICH, CHAIRMAN

ACCOMPANIED BY ROBERT R. GARVEY, JR., EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator McCLURE. We will now turn to the Advisory Council on Historic Preservation.

The 1983 budget request for the Advisory Council on Historic Preservation totals $1 million and will support 25 full-time equivalent staff years. This is a funding reduction of $567,000 from 1982 appropriations to date. That's 36 percent. And a personnel reduction of 15 FTE from 1982 appropriations to date, down 38 percent.

The lead witness for the Advisory Council would be its new Chairman, Mr. Alexander Aldrich. We welcome your testimony today, particularly because this is your first appearance before the committee, Mr. Aldrich. We'll insert your biographical sketch in the record at this time.

[The statement follows:]

STATEMENT OF ALEXANDER ALDRICH

Mr. Chairman and members of the committee, I am Alexander Aldrich, Chairman of the Advisory Council on Historic Preservation, and with me is Robert R. Garvey, Jr., the Council's Executive Director. This is my first appearance before this committee, and I am pleased to be able to thank you for the strong support that you have given us over the years. Having served previously as a member of the Council, I am well aware of your past efforts in shaping and funding the national historic preservation program.

As you know, the principal functions of the Council are twofold: to advise the President and the Congress on preservation matters, and to comment on Federal proposals that threaten properties important in American history, architecture, engineering, archeology, and culture. In the past the Council has fulfilled its advisory role by preparing reports and making recommendations on programs, policies, and legislation affecting historic and cultural properties, and submitting to the President and the Congress an annual report on the status of the national historic preservation program. In this regard, I am pleased to present to you today a copy of our report to the President and the Congress, 1981, published in February.

The Council fulfills its other principal responsibility by reviewing and commenting on Federal, federally-assisted, and federally-licensed undertakings that will affect historic and cultural properties included in or eligible for the National Register of Historic Places.

In a speech a few months after the passage of the National Historic Preservation Act of 1966, then Executive Director of the Council George B. Hartzog referred to the program established by the act as a kind of "creative federalism." A Council task force currently preparing a report on preservation and federalism today, will validate the continuing accuracy of that evolution. The Council has tried through the years to seek resolution to conflicts between preservation and progress in the public interest. We believe that we are engaged in important work, helping to save what is worth saving for continued use and enjoyment through a process of bringing together Government at all levels and private sector interests.

It is difficult to predict how many sites and buildings have been saved as a result of Council involvement, but a guess is that in the 15,000 projects we have reviewed since 1967, the number of properties benefiting from the review and consultation process probably exceeds 100,000, many of which are buildings found in historic districts in urban areas. Of course, we have had our share of monumental cases, also, and can proudly point to recommending ways to save and reuse such properties as the U.S. Mint in San Francisco, the Old Post Office in St. Louis, and the Pennsylvania Avenue Post Office here is Washington. Likewise, our advice has promoted the compatible integration of new development with the historic environments of the Old and Historic District in Charleston, the Georgetown historic District in Washington, and the Vieux Carre in New Orleans.

But there is much work left to do. In a recent statement the Assistant Secretary of Legislation for the Department of Housing and Urban Development reported that we lose 600,000 to 800,000 units of housing per year through abandonment and demolition, a loss we can hardly afford in a time when new construction is falling significantly behind in meeting our demographic needs. The ethic that guides the preservation movement is being adopted in neighborhoods and communities throughout the land, and our work will reflect and influence this change in the future.

The President's budget request for fiscal year 1983 includes $1 million for the Advisory Council on Historic Preservation. This is a decrease of $567,000 from fiscal year 1982. With the funds, we plan to continue efforts begun last year in carrying out the administration's objectives of reducing Federal presence, simplifying regulatory requirements, encouraging private sector initiatives, and promoting preservation decisionmaking at lower levels of Government. On August 25, 1981, the Council unanimously adopted a comprehensive policy statement relating the administration's policies to each of the Council's responsibilities.

Initiatives begun during fiscal year 1982 in accordance with the Council's comprehensive policy statement of August 25, 1981, will be continued to the extent permitted by the availability of staff, time, and financial resources. These initiatives include the following:

1. Developing Federal agency historic preservation capacity to reduce the need for the Council review of individual cases under section 106.
2. Emphasizing programmatic review of Federal agency activities, and programmatic solutions to potential conflicts between preservation and other national goals, thus reducing the number of individual cases submitted to the Council for review under section 106.
3. Developing a capability for monitoring Federal program performance to insure that preservation systems are meeting expectations; and
4. Encouraging State and local governments to take a more active role in decisionmaking regarding Federal actions affecting historic preservation.

However, during 1983, we will give priority to reviewing and commenting on projects referred to us by Federal agencies pursuant to section 106 of the National Historic Preservation Act. The Council has established this priority in order to devote the bulk of its resources to assisting Federal agencies in their compliance with basic statutory requirements.

Again, Mr. Chairman, let me express my gratitude for your support in past years for the work of the Council.

I would be pleased to answer any questions you may have.

BIOGRAPHICAL SKETCH OF ALEXANDER ALDRICH

Mr. Aldrich became Chairman of the Advisory Council on Historic Preservation on June 26, 1982, for a 4-year term. He is a member of the Saratoga Springs law firm of Helm, Shapiro, Ayers, Anito, and Aldrich, and has recently served as the city attorney of Saratoga Springs. He is currently counsel to the Saratoga Performing Arts Center. As former commissioner of New York State Parks and Recreation, Mr. Aldrich served as State historic preservation officer for the State of New York. He was instrumental in the creation of the popular Canal Parks program along the barge canal system.

Prior to his appointment as commissioner, he served as president of the Brooklyn Center of Long Island University, the first executive director of the Hudson River Valley Commission of New York State, executive assistant to Gov. Nelson Rockefeller, chairman of a Special Cabinet Committee for Civil Rights, and the first director of the division for youth in the executive department of the State of New York. In public service since 1956, Mr. Aldrich served as secretary of the New York City Police Department, and later became deputy police commissioner in charge of the youth program. Currently he serves as trustee for numerous organizations, including the Preservation League of New York State, the New York Zoological Society and the American University in Cairo, Egypt. From 1976–78, Mr. Aldrich served as a member of the Advisory Council on Historic Preservation.

INTRODUCTION OF ASSOCIATE

Senator McCLURE. You may introduce your colleague for us and proceed to highlight your statement as you see fit. Of course, the entire statement does appear in full in the record.

Mr. ALDRICH. Thank you. I would prefer simply to highlight it, if that's all right with you, sir.

Senator McCLURE. Yes.

Mr. ALDRICH. This is Robert Garvey, the long-time Executive Director of the Council. I think he's the first and only Executive Director that the Council has ever had.

Senator McCLURE. He's part of the historic preservation?

Mr. ALDRICH. Yes, he is, sir. [Laughter.] We had to prop him up to get him here, but he does pretty well.

I am Alexander Aldrich. I am honored to be here before you, Mr. Chairman, in my first appearance before this distinguished committee.

The Advisory Council's role is to advise the President and Congress on matters relating to historic preservation. We have copies of a new annual report which we are symbolically delivering to this committee, which informs the committee and the Congress what we did during the last year.

Our principal function, in addition to the advisory role is to review and to comment on federally-assisted and federally-licensed undertakings on properties either on or eligible for the National Register.

As you stated, our budget proposal for next year is $1 million, which is a reduction of $567,000. It is our intention, as part of the Reagan administration's program, to make every effort to reduce the Federal presence, to simplify our regulations, to encourage activities in the private sector, to promote decisionmaking at the lower level of Government, State, county, municipal, to shift our emphasis from individual project reviews to programmatic reviews. In other words, to have a strong and significant cutback of facilities and services and still get our statutory job done.

Our goal will be to attempt with this significantly reduced staff to continue to meet the Federal responsibility and to respond to our caseload. It is our hope that we will be able to do this in a responsible fashion. Our principal job will continue to be commenting on Federal and federally-assisted and federally-licensed projects.

That, in a nutshell, is my testimony. There are various other members of our staff in the room that I may call on during the question period. But that's it, Mr. Chairman. We're open for questions.

Senator McCLURE. Thank you very much. I appreciate your statement and your appearance here this morning.

Your statement refers in several places to the need to limit Council involvement in individual cases.

Mr. ALDRICH. Yes, sir.

PROGRESS ON REDUCING CASELOAD

Senator McCLURE. Focusing your resources instead on, first, the review of broader programmatic issues and second, on helping to develop historic preservation capabilities in other Federal agencies.

Could you summarize your progress to date on those two initiatives?

Mr. ALDRICH. Well, sir, it's been our goal for many years to develop this kind of responsible activity in other Federal agencies. Since the beginning of the Council back in 1966, we have worked to educate and bring along other Federal agencies to understand their role. To the extent that another Federal agency is doing its job perfectly, our function is no longer necessary.

What that means is that, for example, if HUD or the Department of Transportation incorporates effective historic planning into its planning function, we really don't have anything to do. And that's our long-range goal; in effect, to put ourselves out of business so that the Federal agencies can do all the work.

We've had considerable success in recent months since the 1980 amendments in working with various divisions of, for example, the Department of the Interior in developing programmatic areas of project review where the agency itself does the work.

Perhaps Mr. Garvey can comment on a few of those. I'm thinking particularly of some of the things that we're doing with the Office of Surface Mining. Can you comment on those, Bob?

Mr. GARVEY. Mr. Chairman, the focus of programmatic agreements has been to target places where there were considerable numbers of sites, and in some instances, a number of agencies involved as in energy development. A good example is the northern tier pipeline, in which seven States and a number of governmental entities, are cooperating to help solve our energy needs.

In the Interior Department, we have been working very closely with the Office of Surface Mining to duplicate the rather good model of the northern tier pipeline. With regard to surface mines, we are now working on an agreement involving the McKinley mine in New Mexico.

Senator McCLURE. One reason I ask for the progress report is that the Council's workload statistics table on page 16 of your justification shows that the number of Federal agency counter-part regulations initiated or published is trending down from fiscal years 1981 to 1983, which would indicate to me an apparent success in getting that done.

I understand your thrust, that once that is done and they're doing their job, then you don't have to work on so many individual cases.

Mr. ALDRICH. Precisely.

Senator McCLURE. With that trend having been established and those regulations apparently getting in place, I would expect that the number of individual cases being reviewed would decline. And yet, that does not appear to be the case. I was just wondering when those major initiatives of getting the other agencies with their regulations and so on in place will begin to show up in a decline in the number of individual case reviews you do.

Mr. ALDRICH. Well, there's a natural time lag between the moment when you start working with another agency to develop this kind of regulatory cranking in of the historic preservation function into their planning and the time when the process works perfectly.

That's why we're not suggesting that we zero the budget out entirely. We will still have plenty to do. I, personally, review an average of one project a day while the staff, of course, still reviews many hundreds. And I think that for the time being, anyway, this situation will continue. I don't look for perfection inside of fiscal year 1983. But that's our long-range goal: To encourage the Federal establishment, particularly those agencies such as the Department of Transportation, Federal Highway Administration, and HUD, in their housing programs, and Defense Department in many of their building projects—the more planning that they can do, the less that we will have to do.

CONTINUING RESPONSIBILITIES

Senator McCLURE. Well, I think you're correct that there is a time lag and we're wondering how much. We're wondering also what your residual responsibility will be. You indicated that once you get them in the act of doing it all, then you can zero-out. There are some continuing responsibilities.

Mr. ALDRICH. Of course.

Senator McCLURE. First of all, to see that they are doing it and coordinate that action.

Mr. ALDRICH. Of course. I was referring primarily to the project review responsibility that we have. We have other responsibilities, as you know better than I. And I anticipate that in an imperfect world, there will always be opportunities for the Council to exercise an individual project review. Even after we have programmatic memoranda of understanding with every agency in town, there will be situations where an agency's planning process will not quite meet the responsibility and the public will demand review, even though there is a programmatic memorandum of understanding in place.

Bob, do you have any comments on that?

Mr. GARVEY. Mr. Chairman, within the hour we have heard the Holocaust Commission speak about a new museum facility which would require the review of the Advisory Council. That's a new program. Obviously, we're not going to have a programmatic arrangement with the Holocaust Commission because that's a one-shot deal. Yesterday, Chairman Aldrich and I were in the White House and we were talking about the soon-to-be-implemented Property Review Board which will transfer a number of historic properties and it is unlikely that that activity will generate a broad programmatic arrangement.

There are new programs coming on line and I must say that in the 15 years or more since the Council has been in business, many Federal agencies have not included all of their undertakings in the body of material that has been offered for comment. We continually discover them, or we are discovered by people who have not done business with us before in some unique situation. As we begin to deal with bigger chunks of surface mining programmatically, a property review board is created with a whole set of new transfers that should keep fiscal 1983 at a fairly constant project level in addition to any programmatic work that we may have accomplished.

IMPACT OF PROPOSED REDUCTIONS

Senator McCLURE. We need to discuss the impact of your proposed reductions. On page 9 of your justification, you list a reduction of $292,000 for Council direction and administration. On page 18, you list a reduction in cultural resource preservation of $256,000. And on page 20, you list a reduction of $19,000 for the Office of Policy and Program Development.

These three amounts represent the Council's total proposed reductions. What I'm having trouble doing, however, is determining what will be lost as a result of those reductions? Your workload table on page 16, for example, doesn't appear to indicate significant reductions in output from the Office of Cultural Resource Preservation, even though the 1983 budget for that office is being reduced by 36 percent.

What will be lost as a result of the reductions? What about the reductions in Council direction and administration and the reductions in the Office of Policy and Program Development?

Mr. GARVEY. Mr. Chairman, as our justification shows we will cut 15 full-time equivalent positions. We may have to find new ways to conduct our business. I would like to respond to the cuts with details for the record.

[The information follows:]

Council direction and administration, −6 FTE, −$292,000.—The only staff attorney in the General Council's office will be eliminated. This will impair the provision of adequate legal services to the Council and the staff. The word processing unit (4 FTE) and our single messenger will be eliminated which will curtail our office support services.

General administration or, common programs costs will be reduced by over 50 percent. We will be compelled to cut travel, relinquish about half our present space, and generally scale down all other expenses.

Cultural resource preservation, −8 FTE, −$256,000.—This office will lose eight professional positions at the GS–9/GS–11 journeyman level resulting in a reordering of workload priorities. We will be unable to do counterpart regulations or programmatic memoranda of agreement. We hope to do adequate individual case work to help agencies fulfill their statutory requirements under the National Historic Preservation Act.

Policy and program development, −1 FTE, −$19,000.—OPPD will lose one professional employee and cut staff reports, information sheets and other small publications by one-half. Responses to information requests will be cut by two-thirds. Participating in the OPM training course on historic preservation will be limited to two sessions vice eight.

WORKLOAD ERROR

Mr. GARVEY. Also, Mr. Chairman, let me apologize for an obvious error on page 16, that I must say I only discovered last evening. We indicate that programmatic agreements initiated and concluded in fiscal year 1983 would be 10. We're not at all sure that we're going to have enough time in 1983 to do any. There may be some left over from 1982 or some other extraordinary circumstance. Our figure should be zero instead of 10 in both places and that does make a difference in the workload.

As I said earlier, we think the project level will be at about the same in 1983 as it has been in 1982. Quantitatively, there's going to be little change in our workload, except that we aren't likely to have time to do many programmatic reviews.

Now qualitatively, that gets to be a different matter. We cannot program a certain number of reviews simply because we don't know what will come into our office today. We are a totally responsive agency. If we get 100 requests, we respond to 100 requests.

MANAGEMENT PRIORITIES

Senator MCCLURE. Aren't you more than just responsive? Don't you have program development?

Mr. GARVEY. We do, but first we have to be responsive.

Senator MCCLURE. So you regard the response as the priority No. 1 and development of program as priority No. 2.

Mr. GARVEY. That's correct. The reason for that, Mr. Chairman, is that the Federal agency is required by law to provide the Council an opportunity to comment and to take those comments into account. If we fail to meet their needs in some fashion, the possibility of litigation on a given project is considerably enhanced.

Senator MCCLURE. Do you have enough personnel to meet that priority?

Mr. GARVEY. We will meet it in one way or another. We may not spend the 2 days that something is required. We may spend only 1 day. Or we may develop screening devices to set priorities in which the most important problems will be dealt with, the less important will receive less attention.

But, I think in the context of our workload, we don't see it diminishing.

Senator MCCLURE. I understand that.

Mr. GARVEY. It's just a matter of how well we do it. We're going to build small cars instead of big ones.

STATE HISTORIC PRESERVATION OFFICERS

Senator MCCLURE. I understand that. You also have the role of assisting the State agencies. If I would understand your priorities, they just dropped off the scale completely, except to the extent that they're involved by some request on a specific project that comes in.

Mr. GARVEY. That's correct. The situation in the States is an unclear one at the moment because of the assistance that they've been receiving in the past from the Department of the Interior grant process. And while we have relied on the States for a great deal of interaction with regard to Federal activities in the past, that's an unclear situation at the moment.

Mr. ALDRICH. Mr. Chairman?

Senator MCCLURE. Yes, Mr. Aldrich.

Mr. ALDRICH. I'd like to comment on this question for a second. I have observed the functions of the Council for many years. I used to be a State historic preservation officer. And when I was in that role, I felt that the Advisory Council regulations and function was in many cases a question of overkill—too much regulation, too much study, not enough delegation to an effective State agency.

And I think that this budget reflects that philosophy that I had back in 1973. There is a point at which if the Council doesn't do its job, it's going to be supplanted by a Federal case in the Federal courts. The fact that the Council and the Federal agency together do not adequately plan, including the historic planning function, then becomes a legal issue. And the cost of running the Council will be supplanted by the cost of Federal litigation.

I think that what we're trying to do is to shave our costs down to the point where we can still deliver enough service to the Federal establishment to, in effect, keep them legal so that there won't be an upsurge in Federal litigation. That's our goal. It's not simply to cut. It's to cut down to a certain point where we're still effective.

Senator MCCLURE. I understand that and I also understand the desirability of getting away from case-by-case review.

Mr. ALDRICH. Yes, sir.

REGULATIONS DEVELOPMENT

Senator MCCLURE. But I note, for example, that the BLM and the Forest Service are both hoping to complete and issue their historic preservation regulations in 1983. What role is the Council playing in the development of those regulations?

Mr. ALDRICH. We're working very closely with the Department of the Interior and other departments, not only in the development of their regulations, but also in the development of our regulations.

Senator MCCLURE. If I understand correctly the answer to previous questions is that the development of regulations or development of program is priority No. 2, or at least it's behind priority No. 1, which is case-by-case review and you've indicated that you don't have enough people even to do that.

Mr. ALDRICH. I don't see how we can avoid priority No. 2 entirely, Senator.

Senator MCCLURE. Well, I don't, either, and that's the reason for my question.

Mr. ALDRICH. It may be that the burden will fall more on the actual members of the Council themselves, the private and public members, to do a little more work. For example, in this year, I have relied very heavily on the task force device, actually getting the members of the Council, instead of meeting four times a year, meeting much more frequently to help develop our regulations and to work closely with other departments to develop their regulations.

This isn't reflected in staff time and it's a very effective device, so long as the Council members are doing their job, which they are.

ARCHEOLOGICAL REVIEW

Senator McClure. To what extent do land-disturbing activities by Federal or State land management agencies come within your purview?

Mr. Aldrich. Well, of course in the archeological area, it's directly within our purview, if it is a Federal project, federally funded, or licensed.

Senator McClure. Yes; how about in the historic area?

Mr. Aldrich. In surface mining, for example.

Senator McClure. But in what way are you involved in a study of those activities?

Mr. Aldrich. Well, this goes back quite a ways. When I was first a member of the Council back in 1976–77, I was the chairman of a task force as a member of the Council to review the laws relating to strip mining. And we developed a report for Congress that was adopted by the Council and sent over to the Hill on that question.

We are very, very deeply involved and the whole archeological function is an important responsibility of our project review.

I may have missed the intent of your question.

Senator McClure. Well, I'm wondering how you perceive the balance that's drawn. Where do you draw the line between what is historic and what is archeological, as an example?

Mr. Aldrich. That is a very tough question to answer.

Senator McClure. And certainly, every square inch of ground, in one sense or another, is either historic or archeological.

Mr. Aldrich. That's true.

Senator McClure. Where do you draw the line between review of activities and essentially saying that that obviously doesn't have enough impact to warrant review?

Mr. Aldrich. I think a pure archeologist would like to dig up every square inch of ground in the United States, Senator.

Senator McClure. They'd at least like to analyze it very carefully for some time before determining whether they wanted to dig it up.

Mr. Aldrich. Exactly. And I think the whole question of cost effectiveness arises in our examination of that kind of programmatic review.

I'd like to invite Tom King to respond to that. He is our resident archeological honcho, Mr. Chairman. He is the Director of our Office of Cultural Resource Preservation and he is very experienced in this area.

Senator McClure. I appreciate your calling him forth because I am concerned about how you draw the practical definitions. And since they have to be practical definitions, they also have to, as you indicated before, stand the test of the determination by a court as to whether or not they are, indeed practical.

Mr. KING. I thank you for the opportunity, Mr. Chairman. I think the approach that we're taking in concert with the Office of Surface Mining in the Department of the Interior is a good example. Our approach, with respect to each proposed surface mine or to all the surface mines in a given area, is to seek an agreement with the Office of Surface Mining and any other Federal agencies or Indian tribes that are involved, and with the responsible State historic preservation officers, that sets forth standards for identification and evaluation of archeological sites, as well as standards for their treatment. Those standards are going to vary somewhat from area to area. The kinds of sites, the kinds of concerns that you have in New Mexico are different from the kinds of concerns that exist in Idaho.

But, in general, the approach is to try to create a set of standards for strip mine planning and for handling archeological problems in each part of the country, embody these in a programmatic agreement and then let the individual projects go forward in accordance with those standards.

Senator MCCLURE. What assumptions are being made by these agencies regarding the need to do detailed archeological or cultural resources inventories and surveys before they initiate either intensified management of a particular area or land disturbing actions? Will those regulations specify that type of detail? What do you know about FS and BLM resources, in general, that are being directed to these protection type efforts?

Mr. KING. The assumption that is made at the Washington level, at least, in BLM and the Forest Service, and one which the Council shares, is that the level of detail that is appropriate for surveys in advance of land use or project development should be determined on the basis of what is already known about the area in question. If the BLM knows absolutely nothing about the kinds of archeological sites that may exist in a given area that it proposes to use or disturb, and the State historic preservation officer and other authorities don't know anything about it either, then some kind of phased survey is usually appropriate: First, a good sample of the area can be looked at in detail, and then on the basis of that sample, further survey can be directed toward likely areas and away from unlikely areas. Usually, however, something is known about any such area, and it is possible to plan a survey accordingly. In some areas, the kinds of properties that are likely to be found may dictate very careful ground inspection, or even subsurface testing, while in others, it may be possible to find everyhting of significance from an airplane. Our preferred approach is to work out survey standards and guidelines with an agency and State historic preservation officer for large areas, and embody those standards and guidelines, along with standards and guidelines for evaluating and protecting properties once they are found, in a general agreement that then guides the work that is done. The Forest Service and BLM regulations, and our own regulations in their current draft, should encourage such an approach; it is certainly something we are strongly encouraging. There is some opposition to it in the field, however, where some archeologists seem to prefer a very rigid approach, demanding complete physical inspection of every land surface regardless of the likelihood of finding anything there. With respect to what sort of Forest Service and BLM resources are being devoted to these types of efforts, we are aware that both agencies are experiencing staff reductions in their historic preservation programs, and both have indicated to us that they spend most of their time dealing with immediate urgent problems, leaving little time for the sort of planning we think is necessary. This is probably why some field archeologists opt for the simple expedient of insisting that every square foot of land be looked at; they simply do not have time to do anything else. This is a major impediment to developing regulations that embody more sophisticated planning processes, but we are working on it.

ROAD BUILDING

Senator McClure. And what about road building?

Mr. King. Road building. The Department of Transportation and the Federal Highway Administration are fairly jealous of their own abilities to establish standards and approaches to handling archeological sites.

Senator McClure. I think that was a careful statement to indicate that you haven't had much luck with them yet. Is that correct? [Laughter.]

Mr. King. Well, you said it. [Laughter.]

NON-FEDERAL PROJECTS

Senator McClure. All right. How about non-Federal? You have the question of those things that are done by State agencies, by local governments, county or municipal. I may be mistaken, but I believe that one of the richest archeological areas in this area is probably Rock Creek Park in terms of the Indian cultures that pre-dated the arrival of the white man.

If the D.C. Government decided that they wanted to change Rock Creek Parkway, are you involved?

Mr. Aldrich. If it involves Federal funds, yes, definitely. We would be involved. I'm principally experienced with the situation in Albany, N.Y., which excavated the old Fort Orange area in downtown Albany in order to build Interstate 787 right through the middle of the area. It used 90:10 Federal funds. Therefore, that triggered the Advisory Council's function.

The archeologists knew that in the path of the road there was an archeological site. Prior to the construction of the road, a team of archeologists went in, excavated, found the old Fort Orange, found something like 500,000 artifacts—pipes, teeth, everything you can think of—rescued a very large number of them, excavated, identified it, photographed it, buried it, and then the road was built on top of it.

That's the kind of activity that happens. You don't stop the construction of the road. But what you do is you study it, you identify it, and you stabilize it so that maybe 300 years from now when they decided that the road is no longer necessary, everything is still there documented and you know where it is.

Senator McClure. Now you say you don't stop the road, but you certainly slowed it down.

Mr. Aldrich. It may have been slowed down, but it was slowed down for a very good purpose.

Senator McClure. But you slowed it down for a purpose which was accomplished.

Mr. Aldrich. Correct.

Senator McClure. There are examples, whether it be road building or strip mining or the building of another building down here—we may, indeed, here within the District, destroy one building and build another. And in that process, you change either the historic setting or the subsurface evidences of what was there before.

Mr. Aldrich. Correct.

HISTORIC PRESERVATION LITIGATION

Senator McClure. Oftentimes, you get involved in the midst of litigation on the part of people who have quite different motives in mind. They don't, frankly, give a damn about history or archeology. They have commercial motives in mind and they use you as a means to forestall the things that were going to happen there that they did not wish to happen.

Delay for the sake of doing something is one thing; delay for the sake of delay or accomplishing a totally unassociated objective is something else.

There is a practical limit about how much delay can be tolerated based upon what the goals are and what the opportunity to achieve those goals may be. If you have no money to fund the archeologists, no means by which to do that which should be done, then the delay for the assessment or the archeological work becomes total delay, not just for a purpose.

How do you draw the line?

Mr. Aldrich. It's not easy to draw the line, Senator, but we have to. I look upon our role as not being the pure historic or archeological role, but seeking the public interest median in between the total developer and the total preservationist.

There are lots of examples of this. In the Morosco Theatre case in New York City recently, our job was to determine whether we thought adequate safeguards to recording of a national register property had been made within the timespan that was available to the developer. And we worked very hard at responding. In that case, we were in litigation the entire time to the demands of both the public that wanted to stop or delay the project for historic grounds and the developer who wanted to build the Portman Hotel.

A similar case involved downtown New Orleans, where we examined the historic resources of the Vieux Carre District—this was last September—in the face of an effort to develop a very large office tower on the edge of it. In a task force or a panel of the Council, we went down and held a public hearing, listened to testimony that was split right down the middle, and the panel, to a great many people's surprise, opted for the developer in that case. We felt that it was better and more important economically and in the general public interest to come down on the side of the developer rather than the pure preservationist's attitude on saving this one corner of the Vieux Carre District.

This, I think, is our function as best discharged, to come in and make the public interest decision or recommendation, because our decisions aren't binding.

Senator McClure. Well, your decisions are binding in one sense, and that is nothing can be done until you make it.

Mr. Aldrich. That's correct, and that's one reason why I want to move fast in these areas.

Senator McClure. And that's one reason why I'm concerned about whether or not you have enough money to do it.

Mr. Aldrich. Life is a succession of compromises, Senator. There's no question about it.

Senator McClure. That's why some people go through life with a smile on their face, because they can deal with those compromises, and other people develop ulcers because they can't.

Mr. Aldrich. I have both a smile and an ulcer, Senator. [Laughter.]

Senator McClure. Well, then, you're the perfect man for the job. [Laughter.]

Mr. Aldrich. I don't pretend that we're going to do a perfect job.

GOVERNMENT RESPONSIBILITY

Senator McClure. Well, I'm concerned on two sides. We're trying desperately, I think, to structure a Government that works. In a midst of doing that, a Government that considers the values. And certainly, we are, in this area, dealing with both. At the same time, we're trying to do it in a way that doesn't cost the taxpayers an inordinate amount of money, and that question of whether it is inordinate must be in their judgment. If they think it costs too much in terms of dollars or in delays or in interference with individual rights, whether they be property or otherwise, we'll fail in their public support.

I am also concerned that if we structure a system which has in it the opportunity for delay so that people who can use delay for the sake of delay for other purposes then find this a convenient vehicle, they will have substantially damaged the public acceptance of preservation values.

And I am very honestly concerned about whether we can maintain the historic preservation thrust if we don't have the capability of doing it in a way that's acceptable to the public.

Mr. Aldrich. May I respond to that, Senator?

Senator McClure. Surely.

Mr. Aldrich. I think the most effective way of delaying a project is not by going to the Advisory Council and setting up a review process; it's by going into Federal court.

Senator McClure. Yes, sir.

Mr. Aldrich. And immersing yourself in motion practice. I watched this happen in the *Morosco Theatre* case. Our function was discharged once the Morosco Theatre was found to be eligible for the National Register. It took us about 10 days from that moment to the time I signed off on the project, which is a damn site quicker, if you'll pardon my language——

Senator McClure. I understand it.

Mr. Aldrich [continuing]. Than the Federal court proceeding that surrounded that entire event. Our goal is to have enough staff—let's be blunt about it—to discharge our statutory function as set up by the Federal legislation in 1966, as amended, especially in 1980, so as to protect the Federal establishment from Federal court proceedings. That is our basic function here.

If we can do that well, we will save not only money on our side, but money that would go to the Federal court process.

Senator McClure. Well, let me broaden it just slightly, and that is it isn't necessarily just Federal establishment because your work affects others as well.

Mr. Aldrich. Of course.

PROJECT DELAYS

Senator McClure. An urban renewal project in which the city is involved, their Federal funding as an example, and we have an all-too familiar example in Boise, Idaho. That urban renewal project as an old, stagnant, stalled, stale project when I was elected to the Congress in 1966. It hasn't yet been completed. And one of the reasons it hasn't is battles over historic preservation. But the battles over historic preservation are primarily, not totally, but primarily, motivated by those interests that are behind one scheme of development or another. Those who want downtown redevelopment are on one side of that issue and those who want a new shopping center some miles outside of town are on the other side of the issue.

It has nothing to do with historic preservation in the main; it has everything to do with commercial interests. Historic preservation is the fall guy in the middle of it. The public grows weary and the public begins to say that there is something wrong with an historic preservation program. And maybe what's wrong is not the historic preservation program, but the way in which it is used, or misused. And maybe you could give us some advice from your perspective, in the past as well as in the present, of means by which we can say, all right, you did your job in 10 days and the Federal court system didn't. Maybe there's a way that we can separate the two. Maybe we need to if we're going to save the historic preservation program.

Mr. Aldrich. I think a useful answer is found somewhere in the experience of Charleston, where an effort was made to delay and stop a new development in Charleston. The Advisory Council was asked for its comments on the historic resources concerned. The entire Advisory Council process was brought up to a point where it was finished. There was a Federal case to determine whether everything had been done properly. And it was found rather quickly in the Federal case that, indeed, it had been done properly, that the agreement by the Advisory

Council in that case had been appropriate and that there was no further grounds for litigation for historic reasons.

I think the key to the answer on this is an effectively functioning Council with adequate staff to do its job up to that point, and with direction in the person of Mr. Garvey and the chairman, or the executive director and the chairman—let's not give names—who are not afraid to make a decision, who don't continuously string out something and ask for more and more information, but who confront the issues with the data before them and say, now is the time either to sign off on the project and say, go ahead, or say you shouldn't go ahead unless you do so and so, and then that ends it.

I think it's a good idea to have a Council that does not have the long-range power to delay indefinitely. I think the Federal courts do have that power.

Senator McClure. Well, that's one of the problems that's involved. If the Federal courts are used by others to delay upon the basis of historic preservation, historic preservation will suffer.

Mr. Aldrich. But it's not only historic preservation, Senator; it's also environmental laws——

Senator McClure. Of course.

Mr. Aldrich [continuing]. Air pollution, all of the societal controls are used.

Senator McClure. I think there's a rather widespread acceptance of the fact that the snaildarter is widespread in Tennessee.

Mr. Aldrich. Yes.

Senator McClure. That since the decision was made to go ahead with that dam that the snaildarter was holding up. But until the decision had been made, the snaildarter was endangered. The minute the decision was made, we find them everywhere.

Mr. Aldrich. I don't know the answer to that question, Senator. I think in the historic preservation area, the key to it is to maintain a Council that has enough muscle, enough budget, enough personnel to do a job that meets both the Federal and the local concern. This is our guess as to what is needed. It may not be enough. I'm not wise enough to predict exactly what our caseload is going to be. It may not be enough.

Senator McClure. I'm sorry, we've run out of time this morning. I have some further questions and comments that I would like to make, but I will submit some questions for the record. I am concerned, too, with the ability of the State agencies to respond to the very great caseload that they are going to have, the very great workload that they are going to have under the tax incentive program.

As I view it, that tax incentive program is working and it's going to generate a tremendous volume of work and I want to see that that work is discharged correctly.

FEDERALISM

Mr. ALDRICH. One of our task forces is studying the question of federalism in this area of historic preservation, including tax act certification. Our preliminary findings have been that the functions of the State historic preservation officer are one of the best examples of creative federalism in action, and that perhaps a too rapid decision not to support the SHPO—and I'm speaking as a former SHPO—will be counterproductive in terms of the ability of the Federal Government to deliver the work it has to do under its own statutes.

Senator MCCLURE. Well, I am concerned about that because we substituted the tax program consciously as a larger portion of the activity.

Mr. ALDRICH. We'll be happy to share that report with your committee, if you'd like.

Senator MCCLURE. I don't think that we can starve that now and either be honest or constructive, and at the same time, the potential for mismanagement is very great because there are commercial activities involved in that tax program and we may 1 year or 2 or 3 years from now be confronted with examples of tremendous near-fraud or, at least, misuse, of the program if we're not very careful.

Mr. ALDRICH. The system certainly works now, and frankly, I'd like to see it continue.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Thank you very much. I will submit further questions and I do appreciate your testimony this morning.

Mr. ALDRICH. Thank you, Senator.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Question: On pages 12 and 13, you list as two of the major objectives for the Office of Cultural Resource Preservation: (1) State Program Development and (2) Local Government Participation. While I agree completely that these two features are absolutely necessary before historic preservation activities can move forward, why does (or why should) the Council adopt these as objectives that will be tracked in future years as an example of the Council's success or failure? I am afraid that the Council can't really be judged, either positively or negatively, on those items. Why don't we just drop those objectives from this presentation but not from the Council's own list of high priority items?

Answer: That is a very good point. It is certainly our position that State and local programs are vital to the effective carrying out of the Council's business, and as you know, the 1980 amendments to the National Historic Preservation Act call upon us to evaluate such programs, and to ensure that local governments participate in our activities. Since the Council has no control over what happens to State and local programs, we should not present them as a basis for judging the Council's work. This makes a great deal of sense, and we will consider it in preparing our next presentation. We can and should be judged, however, on our own efforts to involve State and local preservation programs, and to encourage their development and improvement.

Question: On page 10 of your justification, you have an excerpt from your Council "Strategy" concerning Program Consultation. I would like to lend my support to those excerpts, since they (1) focus your assistance on the Federal agency involved at the broardest level, not at the case level, (2) focus your attention on those agencies likely to have the most impact on cultural and historic preservation, and (3) urge Council action early in the agency process, not later. What has been the preservation community's reaction to these excerpts?

Answer: In general, and in principle, the preservation community has been supportive of this change, but in particular instances we have experienced conflicts. We are engaged in a case at this time, for instance, involving a surface coal mine in New Mexico, in which the State Historic Preservation Officer strongly disagrees with an approach that would treat the mine and its historic properties as a whole, instead of providing for review and consultation on the treatment of each property. As a result, we have been unable to reach an agreement on the project and the full Council is going to have to meet and render its comments. In a word, then, the preservation community seems to support our approach in principle, but when specific projects and properties are involved, it seems to be hard, sometimes, for them to "let go" of case-by-case review.

Question: On page 22 of your justification, you indicate that your GSA rental charge will be decreased more than 50% (from $122,000 to $60,000) in 1983 from 1982 levels. How will you achieve these savings? They are greater than your overall reduction in personnel (-45%)

Answer: Presently we occupy 6,675 square feet of space in a commercial building in downtown Washington. GSA has advised that the lease will not be renewed after the expiration date of August 31, 1982. We are negotiating with GSA to relocate in the downtown area. With a reduced staff and limited funds we will consolidate into an area of 3,500 square feet. We expect to pay about $48,000 for rent in 1983. Also, our Denver office is expected to pay approximately $12,000.

Question: Please provide an object class display of the proposed reductions for the record.

Answer: The information follows:

($000)

Object Classification	1983 Base	1983 Estimate	Proposed Reductions
11. Personnel compensation	$1,059	$725	-$334
12. Personnel benefits	91	70	-21
21. Travel	100	50	-50
23.1 Standard level user changes (Rent)	122	60	-62
23.2 Other rent, communications and utilities	57	35	-22
24. Printing	30	15	-15
25. Other services	93	35	-58
26. Supplies	10	10	-
31. Equipment	5	0	-5
TOTAL	$1,567	$1,000	-$567

Question: Please explain for the record the use of a 2% lapse factor in the personnel costs for Council Direction and Administration; 10% for the Office of Cultural Resource Preservation; and no % for the Office of Policy and Program Development. Why are the rates different and where did they come from?

Answer: In FY 1983 we will be operating with staff of 25 full-time equivalents (FTE), a reduction of 15 FTE from our FY 1982 base of 40 FTE. The lapse rates are related to office size, individual jobs within each office and availability of funds. 7 personnel are assigned to CDA, 16 to OCRP and 2 to OPPD. Whatever personnel turnover we experience with this reduced staff will probably occur in the review and comment area since that office contains a quantity of similar type jobs.

Question: Please provide for the record a 10-year history of GSA funding support for the Public Buildings Cooperative Use Act and copies of recent correspondence (past 1 year) that might explain why GSA is dropping their support for this activity.

Answer: The Public Buildings Cooperative Use Act was passed in 1976, so a 6-year history is the most that can be provided. We are not aware of any funding supporting for implementation of the Act during 1977. In FY 1978, GSA transferred $60,000 to the Council to allow the Council to conduct the studies necessary to provide GSA with lists of appropriate buildings on request. In addition, GSA devoted an unknown amount of staff time to providing the Council with requests and reviewing the resulting recommendations. In FY 1979, GSA provided the Council with $90,000, and the arrangement continued as before. In FY 1980, the level of support remained at $90,000, and the arrangement the same. Funding assistance to support the Council's services to GSA was terminated on November 26, 1980. The relevant exchange of correspondence occured between that time and February 6, 1981; the three pertinent letters (Marschall--Garvey 11/26/80; Garvey--Marschall 12/23/80; Whitlock--Garvey 2/6/81) are provided herewith. Since this exchange, GSA has occassionally sent form letters requesting Council advice on available buildings to meet space needs; these are generally referred to State Historic Preservation Officers, for response as possible.

Question: Please provide for the Committee files a copy of the last two reports concerning Mining in the National Parks Act, complete with legislative history for the reports, and related recent correspondence illustrating why these reports are not contemplated in FY 1983.

Answer: The Council has prepared only two reports concerning the Mining in National Parks Act (Public Law 94-429). Both are submitted herewith. The first, dated January 1979, is a general report entitled "Protection Of Natural and Historic Landmarks from Surface Mining Activity", prepared pursuant to Section 9(b) of the Act; it includes relevant background data, a summary of threats to landmarks resulting from surface mining, and recommendations. The second is a report providing advice to the Secretary of the Interior pursuant to Section 9(a) of the Act with respect to a specific project, a proposal by the Kerry Coal Company of Portersville, Pennsylvania to mine coal near the Hell Hollow portion of McConnell's Mill State Park National Natural Landmark in Pennsylvania.

There is no correspondence illustrating why the Council does not anticipate that Section 9(a) reports will be needed during FY 1983. We reached this conclusion based on the fact that only one such report had been requested by the Secretary since the Act was passed in 1976. The responsibilities laid on the Council by Section 9(a) are entirely reactive; the Council is authorized to do nothing until the Secretary makes a request. In the absence of a record of such requests over the years since passage of the Act, we have no basis for predicting that further requests will be forthcoming.

Question: When complete, be sure to provide a copy of the tax study for the Committee files.

Answer: A copy of the completed tax study will be furnished to this Committee. The National Trust is making excellent progress on the study and will meet the deadline of December, 1982.

PUBLIC BUILDINGS COOPERATIVE USE ACT CORRESPONDENCE

FEB 6 1981

Mr. Robert R. Garvey, Jr.
Executive Director
Advisory Council on Historic Preservation
1522 K Street, NW
Washington, DC 20005

Dear Mr. Garvey:

This is in reference to your December 23 letter to Mr. A. R. Marschall, in which the Advisory Council on Historic Preservation (ACHP) notified us that its services under the Public Buildings Cooperative Use Act (Public Law 94-541) will be terminated effective January 30, 1981.

As you are aware, the Act requires that whenever the General Services Administration undertakes a survey of the public buildings needs of the Federal Government within a geographic area, it shall request that within 60 days the ACHP identify any buildings within such geographic area that (1) are of historic, architectural, or cultural significance and (2) would be suitable, whether or not in need of repair, alteration, or addition, for acquisition or purchase to meet the public buildings needs of the Federal Government. Accordingly, we will continue to request the Advisory Council to identify suitable buildings as mandated by the Act. Further, as in the past, we will also rely on information provided by State Historic Preservation Officers, State and local historic preservation commissions, local historic preservation groups, and the national and regional offices of the National Trust for Historic Preservation.

We trust that the Advisory Council appreciates our position in this matter.

Sincerely,

JAMES G. WHITLOCK
Assistant Commissioner
for Space Management

December 23, 1980

Mr. A. R. Marschall
Commissioner
Public Buildings Service
General Services Administration
Washington, D.C. 20405

Dear Mr. Marschall:

Your letter of November 26, 1980, declares the termination of the agreement between GSA and the Council for the services of identifying suitable properties under the provisions of the Public Buildings Cooperative Use Act. GSA had provided the Council $60,000 in FY 1978, and $90,000 each for FY 1979 and FY 1980. The Office of Management and Budget ordained this reimbursable arrangement by denying the Council an allowance for Public Buildings, ruling instead that the funds were properly allocated to GSA.

Given the absence of funds appropriated to the Council for this program and your decision that GSA will not fund the activity, we cannot continue to provide these services. Please consider this official notification that the Council's services under PBCUA will be terminated effective January 30, 1981.

Sincerely,

(Sgd.) Robert R. Garvey, Jr.

Robert R. Garvey, Jr.
Executive Director

NOV 26 1980

Mr. Robert R. Garvey, Jr.
Executive Director
Advisory Council on Historic Preservation
1522 K Street, N. W.
Washington, D. C. 20005

Dear Mr. Garvey:

In our letter to you dated September 8, 1980, copy enclosed, we stated that the Advisory Council on Historic Preservation (ACHP) should fund for services relating to identification of suitable properties under the provisions of the Public Buildings Cooperative Use Act since the General Services Administration's (GSA) funding involvement for these statutorily-required services were of a temporary nature.

In your letter of September 8, 1980, you stated that $90,000 for fiscal year 1981 would suffice for sustaining the program. Unfortunately, you did not have the benefit of our letter of September 8, 1980, referenced above. However, our position on funding for fiscal year 1981 was brought to your attention by our letter of December 31, 1979, copy enclosed, in which we stated that the further provision of funds in fiscal year 1981 by GSA would be inappropriate. In our view, as stated in the past, the funding by GSA of these statutorily-required services provided by the ACHP has been a temporary measure and the Advisory Council should fund these activities within its own resources and budgetary process.

Please consider this letter as an official notification of termination of the agreement between the General Services Administration and the Advisory Council on Historic Preservation for fiscal year 1981 and future years.

Sincerely,

ARMarschall

A. R. MARSCHALL
Commissioner

REPORTS ON MINING IN NATIONAL PARKS

The President of the Senate

The Speaker of the House of Representatives

Sirs:

The Advisory Council on Historic Preservation herewith submits its report "Protection of Natural and Historic Landmarks from Surface Mining Activity" in accordance with Section 9(b) of Public Law 94-429, the Mining in National Parks Act, September 28, 1976 (90 Stat. 1343).

Richard H. Jenrette
Chairman

AUTHORITY AND PURPOSE

Section 9 of Public Law 94-429 (90 Stat. 1343, September 28, 1976), the Mining in National Parks Act, provides as follows:

"Sec. 9. (a) Whenever the Secretary of the Interior finds on his own motion or upon being notified in writing by an appropriate scientific, historical, or archeological authority, that a district, site, building, structure, or object which has been found to be nationally significant in illustrating natural history or the history of the United States and which has been designated as a natural or historical landmark may be irreparably lost or destroyed in whole or in part by any surface mining activity, including exploration for or removal or production of minerals or materials, he shall notify the person conducting such activity and submit a report thereon, including the basis for his finding that such activity may cause irreparable loss or destruction of a national landmark, to the Advisory Council on Historic Preservation, with a request for advice of the Council as to alternative measures that may be taken by the United States to mitigate or abate such activity.

"(b) The Council shall within two years from the effective date of this section submit to the Congress a report on the actual or potential effects of surface mining activities on natural and historical landmarks and shall include with its report its recommendations for such legislation as may be necessary and appropriate to protect natural and historical landmarks from activities, including surface mining activities, which may have an adverse impact on such landmarks."

Pursuant to Section 9(b), above, the Council contracted with The Research Group, Inc. (TRG), of Charlottesville, Virginia, to prepare a study that would provide a basis for a report to Congress. TRG's report consists of two parts: "The Actual and Potential Threat of Surface Mining on Natural and Historic Landmarks" and "Legal Opportunities Available to the United States to Mitigate and Abate the Adverse Effects of Surface Mining on Natural and Historic Landmarks: Review and Recommendations." These volumes with associated materials contain data, analyses, and conclusions on which the following report is based. Developed under the guidance of a task force of the Council chaired by citizen member Alexander Aldrich, the report was adopted by the full Council at its meeting of January 17-18, 1979. It is respectfully submitted to the Congress in compliance with Section 9(b) of Public Law 94-429.

NATIONAL LANDMARKS

The national landmark program was administratively created by the Secretary of the Interior to give public recognition to places of national significance in illustrating the historical and natural heritage of the United States. The Historic Sites Act of 1935 is the statutory basis for both the historic and natural parts of this program, which is administered by the Heritage Conservation and Recreation Service of the U.S. Department of the Interior. National landmarks are designated by the Secretary of the Interior following professional study and evaluation, either by agency staff or under contract, and a review process that includes experts in relevant disciplines from outside the Government.

National Historic Landmarks. National historic landmarks are districts, sites, buildings, structures, or objects of national significance in illustrating or commemorating the history, architecture, archeology, or culture of the United States. National historic landmarks exhibit associations with people, events, movements, or ways of life significant in the past of the entire Nation rather than of a State or locality. They are thus among the most valuable parts of the Nation's tangible cultural heritage.

Examples are Bunker Hill, Mount Vernon, the Alamo, New Orleans' French Quarter, and Charleston's Battery District. There are 1,427 national historic landmarks and the number will increase as the study program continues. National historic landmarks are listed in the National Register of Historic Places, the official Federal inventory of cultural properties of national, State, and local significance. In addition to the protection afforded by the National Environmental Policy Act and other general environmental laws, they receive, to the same extent as all other National Register properties, protection under Section 106 of the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971.

National Natural Landmarks. Natural landmarks are areas possessing national significance in illustrating the diversity of the country's natural history. They are outstanding examples of landforms (e.g., mountain systems, land sculptures, caves), geological history (e.g., Precambrian, Permian, Paleocene), land ecosystems (e.g., tundra, boreal forest, deserts), and acquatic ecosystems (e.g., marine environments, lakes and ponds, streams). There are 455 natural landmarks of which examples are the Malaspina Glacier in Alaska, the Anza-Borrego Desert in California, and the Canaan Valley in West Virginia. Natural landmarks receive protection under the National Environmental Policy Act and other general environmental legislation. Unlike national historic landmarks, however, they do not receive protection under a specific landmark law.

THE NATURE OF THE THREAT

Surface mining activity includes open-pit mining, area strip mining, contour strip mining, hydraulic mining and dredging, in-situ leaching, and exploration and reclamation associated with each of these types. While not clearly surface mining, subsurface mining involves surface developments that may harm landmarks, and the underground activity itself may damage certain kinds of natural landmarks.

Surface mining activities pose a major threat to landmarks because land disturbance is both severe and widespread. For historic properties, the Council's criteria of adverse effect furnish the basis for assessing damage. They include destruction or alteration of a property; isolation from or alteration of its environment; ntroduction of visual, audible, or atmospheric elements out of character with the property or its setting; transfer or sale of Federal property without adequate safeguards; and neglect resulting in damage or destruction.

Since natural landmarks do not presently enjoy the protection accorded historic landmarks, there are no comparable criteria for measuring adversity. Some of those for historic properties would also apply to natural. In general, natural areas should be viewed as more vulnerable than historic, especially to adverse effects of surface mining activity, because their significance depends on the continuing operation of natural processes. Destruction or modification of any element of an ecosystem could fundamentally alter these processes and thus destroy the qualities that led to landmark designation.

The specific adverse effects of surface mining may be categorized as follows:

1. Visual impact

    a. Surface excavation
    b. Solid waste materials
    c. Tailings

   d. Mine-site plant or mill
   e. Air and water pollutants

2. Noise
   a. Mining equipment
   b. Plant equipment
   c. External transport (trucks, railroads)

3. Blasting
   a. Ground vibration
   b. Air blast

4. Air pollution
   a. Gaseous
   b. Particulate (dust)

5. Water pollution
   a. Water used in the mining process
   b. Water indirectly affected by mining through
      (1) Runoff
      (2) Percolation

6. Utilities and mineral transport
   a. Truck roads
   b. Railroad spurs
   c. Sea and inland waterways (spillage and pollution)
   d. Power lines
   e. Pipelines
   f. Terminal facilities

7. Related population growth and land development

Adverse effects with particular relevance to ecosystems that constitute natural areas are as follows:

1. Water
   a. Sedimentation
   b. Temperature changes (caused mainly by removal or poisoning of nearby vegetation)
   c. Acid and toxic drainage
   d. Disturbance to hydrologic functions

2. Disturbance of soils

3. Disturbance of unique plant assemblages (which may in turn cause disturbance of faunal systems)

4. Air pollution

5. Disturbance to geologic and topographic structures

6. Related population growth and land development

THREATENED LANDMARKS

TRG investigated all national landmarks to ascertain the magnitude of the threat of surface mining activity. The results are classified below in three categories.

I. Threatened. Existing claims and leases, exploration activity, or actual mining pose an immediate and serious danger.

II. Potentially threatened. Mining is underway now that may in the future affect a landmark; or, mineral deposits are close enough to pose a threat if mined, and a nearby market is known to exist.

III. Unthreatened. A threat obviously does not exist, or none is identifiable with available information.

	Historic Landmark	% of total	Natural Landmark	% of total	Total	% of total
I. Threatened	10	.7	10	2.1	20	1
II. Potentially threatened	140	9.8	83	18.2	223	12
III. Unthreatened	1,277	89.5	362	79.7	1,639	87
Total	1,427		455		1,882	

Specific actual and potentially threatened landmarks are listed in the appendices.

APPLICABLE LAW

This report mainly addresses applicable preservation law and applicable mining law. In addition, a long list of special laws may in certain circumstances afford a degree of protection to both historic and natural landmarks threatened by surface mining activity. A partial list would include the National Environmental Policy Act, the Fish and Wildlife Coordination Act, the Migratory Bird Conservation Act, the Endangered Species Act, the Wild and Scenic Rivers Act, the Wilderness Act, the Federal Aid to Highways Act, the Department of Transportation Act, the Solid Waste Disposal Act, and the Coastal Zone Management Act. However, these statutes were not enacted to protect landmarks and any protection is incidental.

Historic preservation laws and mining laws are extensive and complex. Highlights of both especially relevant to this report follow.

Historic Preservation Law

Antiquities Act of 1906. This statute empowers the President by proclamation to designate national monuments on the public domain. A proclamation establishing a landmark situated on Federal lands as a national monument affords strong protection against mining or any other dangerous activity, especially since national monuments are customarily under the jurisdiction of the National Park Service. In fact, many units of the National Park System trace their origins in whole or part to an Antiquities Act proclamation. Although there is no requirement that a national monument be administered by the National Park Service, this has been the practice since the Federal reorganization of 1933. Since the 1940's, moreover, little use has been made of this authority because of strenuous congressional opposition to Executive actions that commit the Congress to expenditures for purposes it has not specifically sanctioned. Practically, therefore, the Antiquities Act can provide protection only in the most exceptional cases and only when nationally significant property located on federally owned land is threatened.

Historic Sites Act of 1935. This measure empowered the Secretary of the Interior to undertake a survey to identify historic sites and buildings of national significance and gave him certain powers to further their preservation. The Historic Sites Act is the basic authority for the identification of both national historic landmarks and national natural landmarks. The act contemplated Federal acquisition and management of such sites as units of the National Park System, and it imposed no requirement of prior congressional authorization. For a short time the Secretary of the Interior sought to exercise this authority without reference to Congress. However, the principle quickly became firmly established that no sites are added to the National Park System without an authorization from the Congress. Therefore, the Historic Sites Act alone affords no direct protection to landmarks.

National Historic Preservation Act of 1966. This is the basic historic preservation statute. It directs the Secretary of the Interior to maintain and expand the National Register of Historic Places, which is to include cultural properties of national, State, and local significance. As nationally significant properties, national historic landmarks are listed in the National Register (but natural landmarks are not). The act provides protective safeguards for all registered properties and also (by a 1976 amendment) those that may be eligible but have not yet been listed. Section 106 of the act requires Federal agencies whose undertakings, direct or indirect, may affect such properties to seek the comment of the Advisory Council on Historic Preservation. Regulations implementing this requirement appear as 36 CFR Part 800. A decade of operation has made Section 106 a highly effective tool for the protection of historic properties endangered by actions of the Federal Government, and, except in very unusual cases, it presently affords the strongest protection for landmarks available under Federal law.

Executive Order 11593, "Protection and Enhancement of the Cultural Environment," 1971. Though not a statute, Executive Order 11593 establishes certain responsibilities for Federal agencies that complement the National Historic Preservation Act and make it a notable protective tool. The Executive order directs Federal agencies to identify and nominate qualified properties under their jurisdiction to the National Register and to shape their plans and programs to further a policy of preservation and enhancement of cultural properties.

Historical and Archeological Data Preservation Act of 1974. This act amended the Reservoir Salvage Act of 1960, which applied only to dams, to provide means for the recovery of data contained by prehistoric or historic remains, above or beneath the earth's surface, whenever they are to be destroyed by a direct or indirect action of the Federal Government. Though not directly a protective measure, the law is relevant in requiring Federal agency heads to notify the Secretary of the Interior when such remains are to be destroyed and in providing a procedure for data recovery when destruction is unavoidable.

Mining Law

Mining Act of 1872. This statute covers ores that are sources of metallic minerals such as gold, iron, copper, silver, lead, tin, and uranium but not any of the non-metallic minerals covered by the leasing acts discussed below. Administered by the Bureau of Land Management, it applies only to the public domain (although certain portions of the public domain, such as national parks, have been exempted by subsequent legislation). Under this law a prospector may search for minerals on the public lands and, upon a valid discovery of minerals, stake a claim and apply to the Federal Government for a patent that will result in fee simple title. Since issuance of patents is not discretionary, Section 106 of the National Historic Preservation Act does not apply. Procedural and other requirements could be used to attempt to safeguard threatened landmarks, but after patenting the property is privately owned and subject to any use the new owner pleases.

In the scope provided for landmark protection, the 1872 law is by far the weakest of all the mining laws.

Mineral Leasing Acts. There are two major statutes, that of 1920 and that of 1947. The former applies to the public domain as of 1920, the latter to lands acquired by the Federal Government after 1920. There are certain exclusions from both, such as national parks and monuments and incorporated towns and cities. The leasing laws, in contrast to the Mining Law of 1872, cover non-metallic minerals such as coal, oil, oil shale, gas, phosphate, potassium, sodium, native asphalt, solid and semi-solid bitumen, and bituminous rock. The Secretary of the Interior administers the laws, although he may not grant leases on non-Interior lands without the approval of the agency head having jurisdiction. Leases for development may be granted following exploration and discovery by an applicant or, in the case of known deposits, following advertisement and competitive bidding. Since leasing is a discretionary action of the Secretary of the Interior, Section 106 of the National Historic Preservation Act applies and the basis exists for protection of historic landmarks. However, the statutory and regulatory framework for leasing is designed to encourage mineral development and contain technical provisions that greatly weaken this applicability in practice. As one example, the Secretary cannot place conditions on a lease that conflict with the laws of the State where the resource is located. This can make protection by lease conditions difficult in a State uch as Nevada, whose laws declare mining to be the paramount interest of the State.

Materials Disposal Systems Act of 1947. This law empowers the Secretary of the Interior to sell the common varieties of sand, gravel, pumice, cinders, and clay located on public lands, but not to sell the surface lands themselves. Sales may be negotiated or based on competitive bids. Like the leasing laws, the Materials Act is discretionary and thus subject to Section 106 of the National Historic Preservation Act, but this theoretical applicability suffers the same liabilities as the leasing laws.

Federal Land Management and Policy Act of 1976. Aimed at overall policies for management and use of the public domain, this law contains important provisions relating to mining. Its environmental requirements direct the Secretary of the Interior to develop land-use plans that give priority to the identification and protection of areas of "critical environmental concern," which include both historic and natural areas. However, this priority is significantly qualified by a requirement to seek congressional approval of any decision that excludes a designated "principal use" from tracts of 100,000 acres or more. Mineral development is a principal use. Also, the Secretary is authorized to withdraw lands from such uses as mineral development in order to preserve other public values, such as historic or natural areas. Again, however, congressional approval must be sought for more than 5,000 acres, and other provisions of the law give it an orientation supportive of mineral development.

Mining in National Parks Act of 1976. This law is directed chiefly at mining threats to certain areas of the National Park System. It contains in Section 9, however, a provision requiring the Secretary of the Interior to identify any national historic or natural landmarks threatened by mining activity and consult with the Advisory Council on Historic Preservation on measures that might be taken to avert the threat. As a protective device, this process cannot be more effective than the Council's current Section 106 process because there is no additional jurisdiction or authority established for either the Secretary or the Council to protect these landmarks.

Surface Mining Control and Reclamation Act of 1977 (SMCRA). This legislation is a sharp departure from previous mining laws in several ways: it applies only to coal;* it applies to private as well as public lands; and it contains comprehensive and strong environmental protective provisions. Permits from the Secretary of the Interior are required for surface mining of coal, underround coal mining with surface effects, and exploration that could disturb the surface. All three stages of mining are covered--exploration, mining, and reclamation. Programs to implement the law may be developed by individual States and approved by the Secretary. Federal programs will be promulgated for those States without approved State programs. SMCRA is the first mining legislation to contain explicit safeguards for historic properties. Under it whole areas may be designated as unsuitable for mining because of the presence of historic properties. Mining that would adversely affect a property listed in the National Register of Historic Places is prohibited unless there is a demonstrated overriding justification that requires mining to proceed at the cost of adversely affecting a historic property. In effect, this provides a higher level of protection to National Register properties than they now receive from other forms of Federal activity.

CONCLUSIONS

1. Twenty landmarks are directly threatened by surface mining activity and 223 potentially threatened. Mining is thus a serious threat to landmarks. It follows that mining is also a serious threat to historic and natural properties of less than national significance. The National Register of Historic Places presently lists about 15,000 properties. If the percentages of historic landmarks affected by mining were valid for the entire National Register, 150 registered properties would be directly threatened and 1,500 potentially threatened. It is in the public interest to explore ways to minimize a threat of this magnitude.

2. Natural landmarks, which are generally more fragile and vulnerable than historic, enjoy much less legal protection than historic.

3. Except for SMCRA, mining laws provide little or no protection for either historic or natural landmarks. The protection against mining accorded historic landmarks under historic preservation law is more theoretical than real.

4. SMCRA sets higher protection standards than the National Historic Preservation Act for all properties listed in the National Register. However, it applies only to historic landmarks by virtue of National Register listing and only to threats from coal mining. It does not recognize national natural landmarks except as "public parks."

RECOMMENDATIONS

Under Federal protective law two basic planning standards for treatment of properties that are worthy of preservation and two review standards have evolved over the past decade. These merit consideration in designing an approach to protecting such properties from surface mining activity.

Planning Standards

1. "Take into account" standard. This standard is most closely identified with the National Environmental Policy Act, Section

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* However, there is protection from other forms of mining if landmarks are located on Federal land in urban or residential areas.

106 of the National Historic Preservation Act, and Executive Order 11593. Federal agencies are required to "take into account" the effect of a proposed undertaking on historic properties. Planning focuses on alternatives to avoid historic properties that meet National Register criteria altogether or mitigate harmful effects if avoidance is not possible. This standard is aimed less at guaranteeing the preservation of all protected properties than at insuring that their values are given proper weight in the plans and decisions of the Federal Government.

2. "No prudent and feasible alternative" standard. This is the standard exemplified by Section 4(f) of the Department of Transportation Act. It does not replace the "take into account" standard but simply imposes additional planning requirements: for any protected property to be affected there must be a determination by the Federal agency that (1) no prudent and feasible alternative exists that would not adversely affect the property, and (2) special measures to minimize any damage will be taken.

Review Standards

1. Agency review. Under NEPA and other authorities a Federal agency's decision is essentially unilateral. So long as the record shows that the agency did in fact evaluate and consider the environmental effects of the proposed undertaking and provided an opportunity for interested agency and public comment, it can proceed as it sees fit despite any adverse effects.

2. Independent review. Regardless of which planning standard is used in a particular project, under Section 106 of the National Historic Preservation Act a Council made of Federal officials, representatives of interested organizations, and individual citizens reviews proposed agency decisions affecting all properties included in or eligible for the National Register, including historic landmarks. In this review all values in a particular conflict situation--economic, social, and political as well as the protected values--are considered and a resolution sought that best serves the public interest. The review thus recognizes that there are acceptable preservation solutions short of the ideal and that, indeed, the public benefit from an undertaking that unavoidably damages or even destroys a protected property may in some instances outweigh the public's interest in its preservation. Conversely, it also asserts that there are protected properties whose retention is so vital as to warrant cancelling an undertaking altogether if avoidance or satisfactory mitigation is impossible. The review mechanism permits an informed judgment of whether the public interest calls for preservation or can accommodate destruction as an acceptable loss in exchange for a greater gain. The final decision remains with the agency, but at least the agency has the benefit of the advice of an independent, impartial, interdisciplinary body on what course of action is most in the public interest.

The Administration's National Heritage proposal, which the Council has endorsed, provides a system of protection incorporating both planning standards. All registered properties would receive the protection of the "take into account" standard. Those of national significance would receive the greater protection of the standard "no prudent and feasible alternative." The review of plans affecting registered properties would remain with an independent, impartial, interdisciplinary body such as the Advisory Council on Historic Preservation. The Council believes this is the proper approach to protection of the national heritage from Federal activities, and that if enacted by the Congress it should be made explicit in Federal mining law.

The National Heritage proposal also provides for a program of identification, preservation and enhancement, and protection of natural areas parallel to that existing for historic properties. There would thus be a National Register of Natural Areas similar to the National Register of Historic Places. Enactment of such legislation is imperative if important examples of America's natural heritage are to be preserved.

Against this background the Council offers the following recommendations.

1. Enact legislation authorizing a program for the identification, preservation and enhancement, and protection of significant natural areas.

2. Incorporate into Federal law a protective system applying consistently to all Federal undertakings, including mining programs, and incorporating the three features discussed above.

a. A "take into account" planning standard for all registered properties.

b. An additional "no prudent and feasible alternative" planning standard for nationally significant registered properties (i.e., national historic landmarks and national natural landmarks).

c. A public interest review of decisions made under both standards by an independent, impartial, interdisciplinary agency.

3. Insure the conformity of Federal mining programs to this system as follows:

a. Amend the Mining Act of 1872 to make patenting discretionary with the Secretary of the Interior and subject to the above protective system.

b. Amend the Leasing Acts of 1920 and 1947 and the Materials Disposal Systems Act of 1947 to make explicit a requirement that all leases and sales under these laws be subjected to the above protective system.

c. Amend the Federal Land Management and Policy Act of 1976 to make explicit a requirement that all actions pursuant to its provisions be subjected to the above protective system.

d. Amend the Surface Mining Control and Reclamation Act of 1977 to substitute the above protective system for the more rigid protection it now affords, and to extend this protection to all forms of surface mining, not just coal. (This leaves open the question of whether the Federal Government should regulate surface mining of minerals other than coal on non-Federal lands and when there is no other Federal involvement.)

Appendix I

Threatened Landmarks

State	NHL/NL	Landmark	Mineral
Arizona	NL	Hualapai Valley Joshua Trees	gold, uranium
California	NL	Cinder Cones Natura Area	cinders
Colorado	NL	Garden Park Fossil Area	uranium
Florida	NL	Osceola Research Natural Area	phosphate
Kansas	NHL	Marais Des Cygnes Massacre Site	coal

State	NHL/NL	Landmark	Mineral
Michigan	NL	Grand Mere Lakes	sand
Minnesota	NL	Upper Red Lake Peatland	peat
Montana	NHL	Butte Historical District	copper, metals
	NHL	Wheeler, Burton K., House	gold
Nevada	NHL	Virginia City Historic District	gold
New York	NHL	Adirondack Forest Preserve	iron, garnet, wollastonite, granite
Ohio	NHL	Glacial Grooves State Memorial	limestone
Pennsylvania	NHL	Gallatin, Albert, House (Friendship Hill)	coal
Tennessee	NL	Grassy Cove Karst Area	coal
	NL	Savage Gulf	coal
Utah	NHL	Bingham Canyon Open Pit Copper Mine*	copper
	NL	Little Rockies (Henry Mountains)	uranium
Virginia	NHL	Green Springs Historic District	vermiculite
Wyoming	NHL	Fort Phil Kearny and Associated Sites	coal
	NL	Crooked Creek Natural Area	uranium

*The danger here is not mining itself, which is in keeping with the historic character of the property, but the scale of operation and the technology employed.

Appendix 2

Potentially Threatened Landmarks

State	NHL/NL	Landmark	Mineral
Alabama	NHL	Apalachiocola Fort	clay
	NHL	Fort Toulouse	clay
	NL	Cathedral Caverns	coal
	NL	Dismals	coal
	NL	Newsome Sinks Karst Area	coal, aggregate

State	NHL/NL	Landmark	Mineral
Arizona	NHL	Awatovi Ruins	coal
	NHL	Old Oraibi	coal
	NHL	Jerome Historic District	gold
	NHL	San Xavier Del Bac	copper
	NHL	Tombstone Historic District	silver, gold, lead,granite, fluorspar
	NHL	Winona Site	volcanic products
	NL	Onyx Cave	lead, copper, gold, silver
	NL	Patagonia-Sonoita Creek Sanctuary	copper, lead, zinc, gold
Alaska	NHL	Anvil Creek Gold Discovery Site	gold
	NHL	Wales Sites	tin, tourmaline, gold
	NL	Unga Island	gold, silver, lead, zinc, copper, lignite
	NL	Brown Bear Refuge	copper, silver, gold
Arkansas	NL	Roaring Branch Research Natural Area	novaculite copper
California	NHL	Anza House (Juan de Anza House)	
	NHL	San Juan Bautista Plaza Historic District	
	NHL	Donner Camp	gravel
	NHL	Castro, Jose, House	sand, gravel, limestone
	NHL	Coloma	gold
	NHL	Lower Klamath National Wildlife Refuge	diatomite
	NHL	New Alamden	sand, gravel, sandstone
	NHL	San Luis Rey Mission Church	high silica sand
	NL	Cosumnes River Riparian Woodlands	gold, chromium, talc-soapstone
	NL	Fish Slough	pumice

State	NHL/NL	Landmark	Mineral
	NL	Sharktooth Hill	fossil fuel
	NL	American River Bluffs & Phoenix Park Vernal Pool	gold
Colorado	NHL	Lowry Ruin	coal
	NHL	Raton Pass	coal
	NL	Spanish Peaks	gold, copper, silver lead, coal
Connecticut	NHL	Old Newgate Prison	trap rock (basalt), copper
Delaware	NHL	Corbit-Sharp House	clay, glauconite
	NHL	New Castle Historic District	clay
	NHL	Stonum	clay
	NHL	Old Courthouse	clay
Florida	NHL	Dade Battlefield	limestone
	NHL	Pelican Island National Wildlife Refuge	sand, heavy minerals
	NL	Devil's Millhopper	phosphate
	NL	Ichetucknees Springs	phosphate
	NL	Paynes Prairie	phosphate
	NL	Torreya State Park	sand, clay
Georgia	NHL	Etowah Mounds	barite, sand, goethite, limonite, ochers, manganese
	NL	Cason J. Callaway Memorial Forest	quartzite
	NL	Lewis Island Tract	sand, gravel, clay, phosphates
	NL	Okefenokee Swamp	phosphates
	NL	Wassaw Island	phosphate
Idaho	NHL	Lemhi Pass	thorium, copper
Illinois	NHL	Old Kaskaskia Village	coal
	NHL	Starved Rock	coal
	NL	Horseshoe Lake Nature Preserve	clay
	NL	LaRue-Pine Hills Ecological Area	sand, gravel, limestone
Indiana	NHL	Wallace, General Lew, Study	clay, shale, siltstone
	NL	Cabin Creek Raised Bog	clay

State	NHL/NL	Landmark	Mineral
	NL	Cowles Bog	peat
	NL	Dunes Nature Preserve	peat
	NL	Donaldson Cave System and Woods	clay
	NL	Hoosier Prairie	sand, clay
	NL	Kramer Woods	coal, clay
	NL	Wyandotte Cave	clay, limestone
	NL	Hemmer Woods	coal
Iowa	NHL	Hepburn, William P., House	coal
	NL	Cayler Prairie	sand, gravel
Kansas	NHL	Fort Scott	coal
	NHL	Haskell Institute	clay
	NHL	Lecompton Constitution Hall	limestone
Kentucky	NHL	Indian Knoll	coal, sand, gravel
	NL	Lilly Cornett Woods	coal
	NL	Red River Gorge	coal, limestone
	NL	Rock Creek Research Natural Area	coal
Maine	NL	Orono Bog	peat
Maryland	NHL	Accokeek Creek Site	clay, sand, gravel
	NHL	Casselman's Bridge, National Road	coal
	NHL	Chestertown Historic District	clay
	NHL	Habre-De-Venture	clay
	NHL	London Town Publick House	diatomite, clay
	NHL	Monocacy Battlefield	limestone
	NHL	Tulip Hill	diatomite, clay
	NL	Cranesville Swamp Nature Sanctuary	coal
Massachusetts	NHL	Arrowhead (Herman Melville House)	sand, gravel
	NHL	Bryant, William Cullen, Homestead	pyrite, copper, zinc
	NHL	French, Daniel Chester, Home and Studio (Chesterwood)	marble, lime

State	NHL/NL	Landmark	Mineral
	NHL	Mission House	iron, marble, lime
	NL	Hawley Bog	manganese, copper, iron
Michigan	NHL	Norton Mound Group	limestone, shale, sand, gravel, gypsum
	NL	Dead Stream Swamp	sand, gravel
	NL	Haven Hill State Natural Area	gravel
Minnesota	NHL	Hull-Rust-Mahoning Open Pit Iron Mine	iron
	NHL	Kathio Site	quartz, sand, gravel
	NHL	Mountain Iron Mine	iron
	NHL	Soudan Iron Mine	iron
	NHL	Lindbergh, Charles A. Sr., House	uranium
	NL	Lake Agassiz Peatlands	peat
Mississippi	NHL	Fatherland Plantation Site	sand, clay
	NHL	Longwood	sand, clay
	NL	Chesnut Oak Disjunct	lignite, marl, bauxite
	NL	Mississippi Petrified Forest	clay, sand, marl
	NL	Bienville Pines Scenic Area	clay, sand, marl
	NL	Harrell Prairie Hill	clay, sand, marl
Missouri	NHL	Arrow Rock	barite, lead, zinc, coal
	NHL	Bingham, George Caleb, House	barite, lead, zinc, coal
	NHL	Graham Cave	sand, clay, limestone
	NHL	Utz Site	stone, coal
	NHL	Pershing, General John J., Boyhood Home	coal
Montana	NHL	Bannack Historic District	gold
	NHL	Hagen Site	coal, lignite
	NHL	Lolo Trail	gold, silver
	NHL	Three Forks of the Missouri	limestone, copper, sand, gravel

State	NHL/NL	Landmark	Mineral
	NHL	Virginia City Historic District	lead, silver, gold
	NL	Bridger Fossil Area	coal
	NL	Bug Creek Fossil Area	coal
Nebraska	NHL	Ask Hollow Cave	sand, gravel
	NHL	Cather, Willa, House	sand, gravel, limestone,
	NHL	Fort Atkinson	limestone
	NHL	Fort Robinson and Red Cloud Agency	gravel
Nevada	NHL	Fort Churchill	clay
	NHL	Leonard Rockshelter	antimony, emerald, gold, sand, gravel
	NHL	Virginia City Historic District	gold
	NL	Ichthyossaur Site .	gold, silver, copper, fluorite, sand, gravel
	NL	Valley of Fire	borate, carnotite, uranium, magnesite, silica
New Jersey	NHL	Hangar No. 1, Lakehurst Naval Air Station	sand
	NHL	Palisades Interstate Park	basalt
	NL	Riker Hill Fossil Site	sandstone, shale
New Mexico	NHL	Puye Ruins	pumice
	NHL	Big Bead Mesa	coal, uranium
New York	NHL	Clermont	clay
	NHL	Haynes, Lemuel, House	slate, limestone
	NHL	Roote, Elihu, House	iron, shale
	NHL	Oriskany Battlefield	sand, sandstone, shale, siltstone
	NL	Bear Swamp	shale, sandstone
New Hampshire	NHL	Jackson, Richard, House	crushed stone, quartzite, slate
	NHL	Jones, John Paul, House	crushed stone, quartzite, slate
	NHL	Langdon, Governor John, Mansion	crushed stone, quartzite, slate
	NHL	Macpheadris-Warner House	crushed stone, quartzite, slate

State	NHL/NL	Landmark	Mineral
	NHL	Wentworth-Coolidge Mansion	crushed stone, quartzite, slate
	NHL	Wentworth-Gardiner House	crushed stone, quartzite, slate
	NHL	Joy Farm (E.E. Cummings House)	crushed stone, sand, gravel, clay
	NL	Heath Pond Bog	sand, gravel, lead, silver, zinc, diatomite
North Carolina	NHL	Nash-Hooper House	pyrophyllite
	NL	Piedmont Beech Natural Area	mica, horneblende
North Dakota	NL	Two Top Mesa and Big Top Mesa	oil, lignite, uranium
Ohio	NHL	Beginning Point of the U.S. Public Land Survey	coal, clay
	NHL	Hopeton Earthworks	sand, gravel
	NHL	Lundy, Benjamin, House	coal
	NHL	McGuffey, William H., Boyhood Home Site	coal, shale, clay
	NHL	Miami and Erie Canal (Deep Cut)	clay
	NHL	S. Bridge, National Road	coal
	NL	Mentor Marsh	salt
	NL	Cedar Bog	sand, gravel
	NL	Dysart Woods	coal
	NL	Mantua Swamp	sand, gravel
Oklahoma	NHL	Creek National Capitol	coal, sandstone
	NHL	Sequoyah's Cabin	sandstone
	NHL	E.W. Marland Mansion	sand, gravel
	NL	McCurtain County Wilderness Area	manganese, novaculite, high silica sand
Oregon	NHL	Jacksonville Historic District	gold, silver, copper, nickel, chromite, platinum
	NHL	Pioneer Courthouse	bauxite
	NHL	Skidmore-Old Town Historic District	bauxite
	NL	Newberry Crater	pumice, obsidian

State	NHL/NL	Landmark	Mineral
Pennsylvania	NHL	Acheson, Edward G., House	coal
	NHL	Bushy Run Battlefield	coal
	NHL	Harmony Historic District	coal, clay
	NHL	Searights Tollhouse, National Road	coal
	NL	Cook Forest	coal, sandstone, shale, limestone
	NL	Hearts Content Scenic Area	coal, sandstone, conglomerates
	NL	McConnell's Mill State Park	coal, sand, gravel, gas, oil
	NL	Pine Creek Gorge	coal, sand, gravel, clay, gas
	NL	Tionesta Scenic and Research Natural Area	coal
Rhode Island	NHL	Greene, General Nathanael, Homestead	sand, gravel
	NHL	Old Slater Mill	marble, clay, copper, slate, gold, iron
	NHL	Arnold, Eleazer, House	marble, clay, copper, slate, gold, iron
South Dakota	NL	Cathedral Spires & Limber Pine Natural Area	feldspar, mica, beryl, lithium, limestone, sandstone
	NL	The Castles	coal, lignite, shale, sandstone
Tennessee	NHL	Rattle and Snap	phosphate
	NHL	Polk, James K., House	phosphate
	NHL	Hiram Masonic Lodge No. 7	phosphate, limestone
	NHL	Franklin Battlefield	phosphate, limestone
	NL	Cedar Glades Natural Area	limestone
	NL	Cumberland Caverns (Higginbotham & Henshaw Caves)	limestone
Texas	NHL	Fort Belknap	coal
	NHL	Fort Brown	clay
	NHL	Fort Concho	limestone
	NHL	Harrell Site	coal, limestone, shale
	NHL	King Ranch	cliche

State	NHL/NL	Landmark	Mineral
	NHL	Palo Alto Battlefield	clay, sand, gravel
	NHL	Plainview Site	sand, gravel
	NHL	Porter Farm	clay
	NHL	Resaca de la Palma Battlefield	clay
	NHL	San Jacinto Battlefield	clay, sand
	NHL	U.S.S. Texas	clay, sand
	NL	Enchanted Rock	soapstone, serpentine
	NL	Longhorn Cavern	limestone, granite
	NL	Attwater Prairie Chicken Preserve	sand, gravel
Utah	NHL	Danger Cave	potash, salt
	NHL	Emigration Canyon	limestone
	NL	Cleveland-Lloyd Dinosaur Quarry	uranium, coal, oil, gas
Vermont	NHL	Frost, Robert, Farm (The Gully)	kaolin, quartzite
Virginia	NHL	Bremo Historic District	copper, pyrite, chalcopyrite, sphalerite, galena, gold, silver, bornite, chalcocite, sulphides, slate
	NHL	Monticello	greenstone
	NHL	Poplar Forest	verniculite #3, horneblende, biotite, pegmatite
	NHL	Ripshin Farm	clay
	NHL	Shirley	clay, sand, gravel
	NHL	Tuckahoe	clay, sandstone, shale
	NHL	Berry Hill	vermiculite
Washington	NHL	Chinook Point	sand, ilemnite, gold, magnetite
Wisconsin	NHL	Aztalan	dolomite, sandstone, gravel
	NHL	Administration Building & Research Tower, S.C. Johnson Company	dolomite, limestone
	NHL	Taliesin	sandstone, limestone, zinc, lead

State	NHL/NL	Landmark	Mineral
	NL	Finnerud Forest Scientific Area	lead, zinc
	NL	Flambeau River Hemlock-Hardwood Forest	lead, zinc
	NL	Wyalusing Hardwood Forest	lead, zinc
West Virginia	NL	Blister Run Swamp	coal
	NL	Canaan Valley	coal, limestone
	NL	Germany Valley Karst Area	limestone
	NL	Lost World Caverns	limestone
	NL	Swago Karst Area	limestone, coal
Wyoming	NHL	Independence Rock	salts
	NHL	South Pass	copper, gold, silver, iron
	NHL	Expedition Island	oil, trona

ADVICE OF THE ADVISORY COUNCIL ON HISTORIC PRESERVATION CONCERNING McCONNELL'S MILL STATE PARK NATIONAL NATURAL LANDMARK UNDER THE PROVISIONS OF SECTION 9(a) OF THE MINING IN NATIONAL PARKS ACT

Introduction

The Secretary of the Interior requested the advice of the Council on July 8, 1980, pursuant to the provisions of Section 9(a) of the Mining in National Parks Act of 1976 (16 U.S.C. 1908) regarding "alternative measures that may be taken by the United States to abate or mitigate" the adverse effects on surface coal mining on McConnell's Mill State Park, a registered National Natural Landmark. This was the first request for advice, pursuant to this statute, to be received by the Council.

At the August 1980 meeting of the Council, the Chairman appointed a panel of members to consider the Secretary's request on behalf of the full Council. The panel members were:

Joseph Mahan, citizen member from Georgia, Panel Chairman;

Sheila Weidenfeld, citizen member from Washington, D.C.;

Barry Flamm, representing the Secretary of Agriculture;

Gary Wilburn, representing the Attorney General; and,

David Burmaster, representing the Chairman of the Council on Environmental Quality.

The findings of fact and the conclusion and recommendations of the panel were presented to the Council at the meeting on November 5, 1980. This report constitutes the recommendations of the Council.

Findings of Fact

Based on its investigation, the Council makes the following findings of fact concerning the request of the Kerry Coal Company of Portersville, Pennsylvania, to strip mine for coal on an approximately 30-acre parcel of land located near the Hell Hollow portion of McConnell's Mill State Park National Natural Landmark.

--McConnell's Mill State Park is a registered National Natural Landmark and was so designated by the Secretary of the Interior on November 26, 1972.

--The Congress expressed its concern for the protection of National Natural Landmarks from the effects of surface mining in Section 9(a) of the Mining in National Parks Act (16 U.S.C. 1908).

--Slippery Rock Creek and Hell Run are included in the Nationwide Inventory of Wild and Scenic Rivers.

--The President, in his August 1979 Message on the Environment, underscored the need to strengthen the National Wild and Scenic Rivers System and to take particular care to avoid damaging rivers which may qualify for inclusion in the system.

--McConnell's Mill State Park National Natural Landmark is an important resource with public value to residents of the surrounding communities, the entire Lawrence and Beaver Counties, and the major metropolitan areas of Pittsburgh, Pennsylvania, and Youngstown, Ohio.

--The Secretary of the Interior has determined and the Council agrees that the Hell Hollow portion of the landmark is threatened by irreparable harm and destruction by the permitting of the proposed surface mining activities adjacent to this portion of McConnell's Mill State Park.

--Hell Run is threatened with potentially adverse effects from siltation and sedimentation and the concomitant loss of aquatic habitat for a naturally reproducing population of brown trout, perhaps the only such population located in the Beaver Creek watershed.

--Hell Hollow is threatened with noise and visual impacts with the concomitant loss of the wilderness experience for visitors to this area of McConnell's Mill State Park.

--The measures proposed to control the potential adverse effects of the proposed surface mining, while representing state of the art technology, are insufficient to minimize the risk of irreparable harm and damage to the landmark.

--The Council was unable to discover any measures which could be applied to the area proposed for strip mining which would sufficiently reduce the risk of irreparable harm or damage so as to constitute an acceptable plan for mining.

Conclusion and Recommendations

The Council believes that the proposed mitigation measures are insufficient to insure that the Hell Run portion of the designated National Natural Landmark will not suffer serious environmental impact and irreparable harm to its significant values. Therefore, the Council concludes that surface mining should not be permitted to take place on the site proposed by the Kerry Coal Company. In order to accomplish this, the Council makes the following recommendations to the Secretary of the Interior:

1. The Council notes that the Pennsylvania Department of Environmental Resources currently has pending before it permit application #3779102, dated March 18, 1980, from the Kerry Coal Company for a permit to strip and auger mine an approximately 30-acre site adjacent to the Hell Run area of McConnell's Mill State Park National Natural Landmark. In view of this, the Council believes that the Secretary, through whatever means available, should encourage the Commonwealth of Pennsylvania to deny the permit

application. The Council notes that the Commonwealth of Pennsylvania has the power to deny this based upon Section 522(e)(3) of the Surface Mining Control and Reclamation Act (30 U.S.C. 1272(e)(3)) as well as legislation of the Commonwealth of Pennsylvania.

2. In the event that the Commonwealth of Pennsylvania does not deny the permit application, the Council believes that the Secretary of the Interior should, through statutory and regulatory control available to the United States Government, seek to prohibit the surface mining activity proposed. The Council also notes that the Secretary of the Interior may have the authority under Section 522(e)(3) of Surface Mining Control and Reclamation Act to deny issuance of the permit.

3. If surface mining cannot be prohibited through the statutory and regulatory controls available to either the Commonwealth of Pennsylvania or the Government of the United States, the Council believes that the land in question should be acquired by either the Commonwealth of Pennsylvania or the United States Government in order to prevent surface mining from taking place. The Council believes that acquisition of the land in question should be limited to acquisiton of the least interest in the land which is adequate to prevent surface mining operations from taking place. Further, the Council believes that the most economical method of acquisition should be employed. It is the preference of the Council that any such acquisition of land be undertaken by the Commonwealth of Pennsylvania and the Council notes that there are several Federal programs, especially those under the Secretary's jurisdiction, which could aid the Commonwealth of Pennsylvania in this effort. However, if the Commonwealth of Pennsylvania is unable or unwilling to acquire the land, the Council believes that the United States Government should acquire the land to prevent mining operations from taking place.

4. As a separate matter, the Council believes that the land proposed for surface mining activity should be added to McConnell's Mill State Park. This could provide additional recreational opportunities within the Park including the ski resort which could be reactivated. The Council notes that there are a number of Federal agencies that could acquire the land in question and turn it over to the State for park proposes. The Council relies upon the Secretary of the Interior to determine the Federal agency most appropriate to achieve this related objective.

5. The Council further recommends that the United States Government should encourage the Commonwealth of Pennsylvania to upgrade the designation of Hell Run from that of Cold Water (CW) stream, which indicates the stream is capable of supporting cold water fish, to one of Exceptional Value (EV) which will prevent any deterioration in the quality of the stream. Such redesignation is currently pending before the Environmental Hearing Board of the Commonwealth. The Council also recommends that the Secretary of the Interior strongly encourage the Pennsylvania Department of Environmental Resources to act on the redesignation of Hell Run prior to taking any action on the pending surface mining permit application.

6. The Council notes that Hell Run is included on the Nationwide Inventory of Wild and Scenic Rivers maintained by the Heritage Conservation and Recreation Service of the Department of the Interior. Because of this fact, the Council believes that it has an obligation to protect Hell Run through the authorities contained in the Memorandum of the President on "Wild and Scenic Rivers and National Trails" dated August 2, 1979, and guidance concerning Wild and Scenic Rivers published by the Council on Environmental Quality on September 8, 1980 (45 FR 59190). The Council has examined scientific information and concludes that Hell Run possesses sufficient qualities to qualify as a Study River in the Wild and Scenic Rivers program. Accordingly,
the Council recommends that the Secretary of the Interior should recommend to the Congress that Hell Run be included as a Study River in the Wild and Scenic Rivers system.

Question: Does a federally assisted project require an ACHP response before it can go forward, or does ACHP have a set period of time to comment, after which the project goes forward without comment?

Answer: There are no set time periods government-wide, because of the great range of kinds of undertakings we review. When the Act was first debated in Congress, a minimum 60-day period was proposed for Council review, but this was dropped as too inflexible, at the request of the Bureau of Budget. We find that the great bulk of our cases are resolved within 30 to 60 days after an agency seeks our comments, but there is naturally a great difference between the time involved in consultation about replacing a small, dilapidated historic bridge that no one is very worried about, and the time required to review the MX Missile System or a complicated, controversial urban development case.

Although there are no time limits set for consultation process under Section 106, any of the consulting parties can declare a failure to agree at any time during the process, and once that occurs the regulations prescribe a process for rendering final Council comment that is designed to be completed within 45 days. Agencies are also encouraged to coordinate consultation under Section 106 with their NEPA review, so that Section 106 does not extend beyond the time required for Environmental Impact Statement review. Finally, we do establish specific review periods for particular programs under Programmatic Memoranda of Agreement and Counterpart Regulations. For example, it is common for our agreements to provide that where an archeological data recovery project is involved, the agency will submit the data recovery plan to the Council for a 10 to 15 day review, and if we do not object to it in that time, the project proceeds. We use the same procedure for the review of architectural plans and specifications in many rehabilitation projects.

Question: For the record, please provide as complete a report as is practicable concerning the State Historic Preservation program, showing detailed staffing and workload data by state and national summaries for selected features (such as tax act certifications, nominations to the National Register, etc.) Please provide concrete data, where available, showing the trends of state program commitments over the past five years.

Answer: Because of limited funding and staff capabilities, the Council has not had the resources to produce an in-depth study of State Historic Preservation programs. The attached material has been compiled largely by other organizations and agencies. No complete tabulation of State historic preservation programs is available; however, a selective analysis of the activities of State offices is attached.

Also attached is a graph portraying Historic Preservation Fund Grants to the States over the last 15 years. Over the last 5 years, there has been considerable fluctuation in federal grants to the States for preservation activities. This has resulted in a great variation among States and between years as to how the States are able to carry out preservation activities. According to a recent survey by the National Conference of State Historic Preservation Officers, preservation activities carried out by States are being curtailed by budget cut-backs, recissions, and deferrals. For example, during FY 81, the average size of the staff in a State Historic Preservation Office dropped from 19 to 13. The result is that States are reducing their commitments and obligations.

The three principal functions of SHPO's that receive the most attention are working with private investors on rehabilitation of property for certification under the Economic Recovery Tax Act, planning and management of a framework for providing preservation services on a statewide basis, and survey and registration of properties for inclusion in the National Register of Historic Places.

1981 SHPO WORKLOAD
ECONOMIC RECOVERY TAX ACT

STATE	SIGNIFICANCE	REHABILITATION	STATUTES
ALABAMA	72	23	1
ALASKA	1	0	0
ARIZONA	5	8	2
ARKANSAS	19	22	0
CALIFORNIA	21	24	6
COLORADO	16	15	0
CONNECTICUT	60	31	0
DELAWARE	4	5	0
DIST.COLUMBIA			
FLORIDA	25	27	11
GEORGIA	117	106	1
HAWAII	2	2	0
IDAHO	5	4	1
ILLINOIS	15	23	2
INDIANA	34	33	1
IOWA	8	11	0
KANSAS	2	2	1
KENTUCKY	60	52	0
LOUISIANA	32	34	0
MAINE	19	23	1
MARYLAND	110	170	0
MASSACHUSETTS	52	54	1
MICHIGAN	50	50	5
MINNESOTA	22	27	1
MISSISSIPPI	22	21	0
MISSOURI	63	57	0
MONTANA	8	6	0
NEBRASKA	6	6	0
NEVADA	2	8	0
NEW HAMPSHIRE	30	30	0
NEW JERSEY	28	22	0

1981 SHPO WORKLOAD
ECONOMIC RECOVERY TAX ACT

STATE	SIGNIFICANCE	REHABILITATION	STATUTES
NEW MEXICO	6	4	0
NEW YORK	96	91	5
NORTH CAROLINA	38	29	1
NORTH DAKOTA	1	2	0
OHIO	68	85	3
OKLAHOMA	3	6	0
OREGON	1	3	0
PENNSYLVANIA	71	77	2
PUERTO RICO	3	3	N/A
RHODE ISLAND	19	23	0
SOUTH CAROLINA	18	19	0
SOUTH DAKOTA	4	9	0
TENNESSEE	32	40	1
TEXAS	21	23	18
UTAH	15	12	1
VERMONT	19	12	0
VIRGINIA	46	45	0
VIRGIN ISLANDS	5	5	N/A
WASHINGTON	6	9	0
WEST VIRGINIA	12	5	0
WISCONSIN	3	7	0
WYOMING			

1981 SHPO WORKLOAD
NATIONAL REGISTER OF HISTORIC PLACES

STATE	INDIVIDUAL PROPERTIES	DISTRICTS	MULTIPLE RESOURCES	THEMATIC	DETERMIN. ELIGIBILIT
ALABAMA	33	5	1	2	47
ALASKA	14	2	0	0	8
ARIZONA	11	1	0	0	20
ARKANSAS	25	1	2	0	35
CALIFORNIA	109	7	0	0	90
COLORADO	6	0	0	0	1,640
CONNECTICUT	11	0	0	0	19
DELAWARE	9	2	1	0	6

1981 SHPO WORKLOAD
NATIONAL REGISTER OF HISTORIC PLACES

STATE	INDIVIDUAL PROPERTIES	DISTRICTS	MULTIPLE RESOURCES	THEMATIC	DETERMIN. ELIGIBILITY
DIST. COL.	0	0	0	0	4
FLORIDA	15	1	0	0	12
GEORGIA	65	14	2	0	50
GUAM	0	0	0	0	0
HAWAII	2	1	0	1	6
IDAHO	12	6	0	3	14
ILLINOIS	30	0	0	0	32
INDIANA	40	3	0	0	36
IOWA	55	7	2	2	15
KANSAS	14	0	0	0	10
KENTUCKY	48	9	1	1	15
LOUISIANA	39	4	1	0	32
MAINE	38	2	0	1	3
MARYLAND	2	0	0	0	40
MASS.	82	20	3	1	618
MICHIGAN	37	4	1	1	10
MINNESOTA	25	3	13	6	10
MISSISSIPPI	9	0	0	0	60
MISSOURI	17	8	3	0	220
MONTANA	9	2	0	1	37
NEBRASKA	26	2	0	1	0
NEVADA	10	0	0	1	6
NEW HAMP.	46	5	2	0	8
NEW JERSEY	43	10	1	1	200
NEW MEXICO	10	3	0	0	60
NEW YORK	17	1	0	0	61
NO.CAROLINA	70	4	1	1	21
NO. DAKOTA	7	4	1	0	1
OHIO	49	4	2	1	40
OKLAHOMA	24	0	0	0	8
OREGON	60	3	0	0	40
PENN.	41	6	0	5	55
PUERTO RICO	8	5	0	0	40
RHODE ISLAND	89	18	5	0	9

1981 SHPO WORKLOAD
NATIONAL REGISTER OF HISTORIC PLACES

STATE	INDIVIDUAL PROPERTIES	DISTRICTS	MULTIPLE RESOURCES	THEMATIC	DETERMIN. ELIGIBILITY
SO. CAROLINA	38	8	4	1	10
SO. DAKOTA	14	3	0	1	9
TENNESSEE	61	10	2	1	50
TEXAS	55	5	2	4	27
TRUST TERR.		0	0	0	1
UTAH	41	4	0	0	17
VERMONT	9	13	0	0	2
VIRGINIA	73	12	1	0	99
VIRGIN ISL.	6	0	1	0	0
WASHINGTON	44	1	0	2	2
W. VIRGINIA	30	3	0	2	31
WISCONSIN	49	3	0	0	30
WYOMING	15	3	0	1	6

1981 SHPO WORKLOAD
TECHNICAL REVIEW AND ASSISTANCE

STATE	A-95	EIS	SEC. 106	CE PERMITS	OTHER
ALABAMA	803	20	17	211	249
ALASKA	650	24	42	95	265
ARIZONA	350	14	33	13	
ARKANSAS	500	52	40	200	
CALIFORNIA	600	500	55	110	
COLORADO	148	120	640	190	
CONNECTICUT	947	4	47	130	534
DELAWARE	416	10	105	6	242
DIST. COL.	0	3	150		
FLORIDA	1,535	67	36	839*	
GEORGIA	1,162	29	75	115	95
GUAM					
HAWAII	54	61	50	50	1,250
IDAHO	800	48	45	110	
ILLINOIS	2,700	14	42	150	

* Combined with Coast Guard.

1981 SHPO WORKLOAD
TECHNICAL REVIEW AND ASSISTANCE

STATE	A-95	EIS	SEC. 106	CE PERMITS	OTHER
INDIANA	517	9	590	78	
IOWA		14	0	126	420
KANSAS	512	19	345	50	
KENTUCKY	774	28	1	117	
LOUISIANA	480	60		1,200	700
MAINE	1,250	82	2	220	
MARYLAND	882	12	185	491	
MASS.	276	3		150	
MICHIGAN	3,100	13	13	2,100	68
MINNESOTA	1,968	1,878	27	247	
MISSISSIPPI	1,848	55	730		105
MISSOURI	2,512	20	60	250	
MONTANA	216	50	950	86	
NEBRASKA	339	25	1	90	
NEVADA	177	11	82	22	
NEW HAMP.	95	3	480	1	
NEW JERSEY	500	10	400	10	175
NEW MEXICO	140	20	35	21	2,150
NEW YORK	207	26	1,356	408	
NO.CAROLINA	1,020	224	105	287	
NO. DAKOTA	146	11	0	40	637
OHIO	1,782	104	280	205	3,985
OKLAHOMA	360	20	20	75	
OREGON	650	30	12	200	
PENN.	338	10	990	675	326
PUERTO RICO	277	24	3	4	
RHODE ISLAND	183	9	595	4	41
SO. CAROLINA	456	17	200	300	675
SO. DAKOTA	1,020	5	41	72	
TENNESSEE	1,173	22	302	260	105
TEXAS	33	23	1,847	351	300
TRUST TERR.	12	2			

1981 SHPO WORKLOAD
TECHNICAL REVIEW AND ASSISTANCE

STATE	A-95	EIS	SEC. 106	CE PERMITS	OTHER
UTAH	762	25		65	180
VERMONT	357	5	10	15	
VIRGINIA	680	34	10	524	
VIRGIN ISL.	2	1	10	2	
WASHINGTON	3,800	220	1,300	1,200	
W. VIRGINIA	547	325	27	88	
WISCONSIN	435	10	30	220	805
WYOMING	275	190	3,000	20	

NATIONAL SUMMARIES OF WORKLOAD INDICATORS FOR STATE HISTORIC PRESERVATION OFFICES

I. TECHNICAL REVIEW AND ASSISTANCE PROGRAM

	FY 1981
A-95	67,260
EIS	5,358
Determinations of Eligibility	4,787
Sec. 106 Actions	48,507
Corps of Engineers Permits	13,719
Technical Assistance Requests	247,722
MOA's with Federal Agencies	1,143
Other	36,972

II. NATIONAL REGISTER OF HISTORIC PLACES PROGRAM

Number of Nominations submitted to the National Register:

Individual Property	2,131
District	280
Multiple Resources	88
Theme	70
Federal (Individual)	112
Federal (District)	7
Federal (Multiple Resource)	7
Federal (Theme)	7
TOTAL	2,702

Number of Properties contained in Nominations:

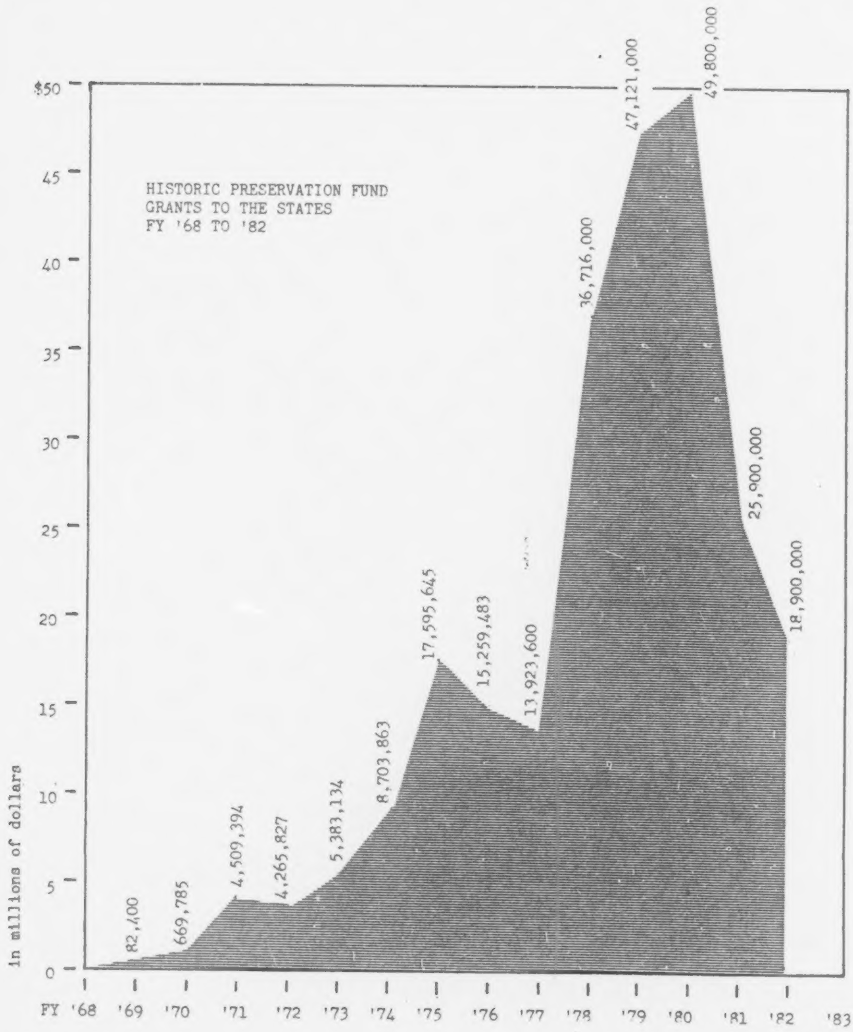
District	32,524
Multiple Resource	10,266
Theme	1,789
Federal (District)	299
Federal (Multiple Resource)	93
Federal (Theme)	49
TOTAL	47,263

III. PRESERVATION TAX PROGRAM

Determinations of Significance (Part I)	2,067
Certifications of Rehabilitation (Part II)	1,802
Requests for Certification Information	19,239
Local Statutes Developed	67

IV. SURVEY PROGRAM

	FY 1981
A. Properties Added to State Inventories:	
Minimum Level Documentation:	
Architectural/Historical	305,953
Archeological.	64,627
Other.	3
Total.	370,583
National Register Level Documentation:	
Architectural/Historical	81,412
Archeological.	9,269
Other.	3
Total.	90,684
B. Square Miles Surveyed:	
Reconnaissance Level Survey:	
Architectural/Historical	68,038
Archeological.	29,867
Other.	99
Total.	98,004
Intensive Level Survey:	
Architectural/Historical	241,877
Archeological.	9,550
Other.	56
Total.	251,483



Question:	Please provide for the record a list of available resources and ACHP's narrative evaluation of the capabilities of the various Federal land managing or land disturbing agencies in the areas of cultural, historic, and archeological preservation and protection. Include at least each of the Interior agencies, plus SCS, FS, FmHA, HUD, Corps of Engineers plus others as you see fit.
Answer:	As the subcommittee is aware, in Sections 202(a)(6) and 202(b) of the National Historic Preservation Act, the Council is directed to review and report regularly on the effectiveness and status of Federal agency preservation programs. Because no funds to carry out this activity were appropriated for FY 82, we are not able to respond to the subcommittee's question with the completeness and detail that we would desire. We are providing, however, such information as we have been able to gather on 14 land managing and land disturbing agencies. This information has been prepared by Council staff and does not reflect any formal evaluations of the Council.

In compiling this information, we have considered the capabilities of agencies to perform those duties set out in Section 110 of the National Historic Preservation Act. The subcommittee should be aware that, at present, Federal agencies have no clearly delineated standards or guidance for carrying out these responsibilities. Under Section 101(f), guidance to agencies in developing and implementing preservation programs is to be issued by the Secretary of the Interior, but has not been finalized. Even in the absence of detailed guidance, many agencies have developed a substantial capability to plan for historic and archeological properties in an effective, responsible manner.

Based on our experience, the staff capability of an agency is paramount in developing a sound preservation program. Regardless of the quality of policy or the form of organization, the effectiveness of an agency essentially depends upon the professional capabilities it develops in its staff. Staff at the level responsible for project planning must be able to consider cultural resources in designing and judging the desirability of a project. This capability is crucial in carrying out an agency's responsibility and in avoiding last minute conflicts that are usually wasteful in terms of project costs, loss of resources, or both. Such staff capability can be developed with a combination of professionals and non-professionals, but in all cases is greatly enhanced by training programs.

Budget reductions have begun to affect this capability. Some agencies have already cut back program staff with preservation responsibility or have reduced project planning activities as a means to economize. In addition, some training programs have been curtailed or eliminated, which may lead to reduced competency and a deterioration of the consistency and unformity of an agency's capabilities.

It should also be noted that agencies report difficulties in hiring appropriately qualified professionals due to inadequate personnel standards. Existing standards provide little assistance in selecting personnel with the qualifications and background necessary to handle the responsibilities of a preservation program. We understand that the Office of Personnel Management is currently upgrading its standard for professional archeologists (series 193), which should aid agencies in improving their programs. But standards for overall preservation specialists should also be carefully considered.

Many agencies, both land disturbing and land managing, are decentralized and give field offices considerable autonomy in carrying out agency goals and objectives. This fosters the capability, in each field office, to respond rapidly to the particular needs of its area and its projects. However, autonomy can encourage discretion in whether to carry out policy, not just in how to carry out policy, particularly when staff resources are stretched thin. This drawback of decentralization can be overcome without compromising its advantages if the agency also develops the capability to monitor the performance of its field offices. The Federal Highway Administration provides an outstanding example of successful decentralization. Although each of the 52 Division offices, and the State highway departments with which the Divisions work, has primary responsibility for project planning, the work of each is evaluated in light of agency goals by a regional office. This ensures that policy goals are met even though the Division has great autonomy in how it achieves that goal. FHWA also provides thorough training to the Divisions to ensure that they have the ability to carry out policy in relative independence. Programs that involve Federal-State or Federal-local partnerships are essentially decentralized and require the same capabilities to perform well.

We have grouped the following summaries into two classes: first land managing agencies, then land disturbing agencies.

Land Managing Agency

1. Bureau of Land Management

Organization/Staff with Preservation Responsibilities

Washington Office: staff is two people
State Offices (13): staff in each office is one person
District Offices (about 60): staff in each office is one person
Resources Areas (about 180): in most areas no staff.

Land Use Planning

BLM's land use planning is focused on the Resource Area and, under policy now proposed, will be concentrated primarily where land use within the resource area has become an issue. BLM also has developed overviews of archeology and history at the larger District level, for about one-half of its Districts. The overview facilitates land use decisions and project implementation by providing a context within which sound decisions can be made rapidly. These overviews are most beneficial where they are kept current and where they are incorporated into land use planning.

Project Planning

Responsibilities of the preservation program are carried out by the Resource Area office, with the advice of the staff in the District office and, if needed, the State office. Staff in both the State and District offices is usually professional. Each State office is largely responsible for establishing policy by which each Resource Area office is guided. Agency-wide policy for the preservation program is being developed.

2. National Park Service

Organization/Staff with Preservation Responsibilities

Washington Office: extensive staff
Denver Service Center: extensive staff
Regional Offices (7): extensive staff
Parks Units: usually have no staff

Land Use Planning

NPS prepares management plans for individual park units. Policy on management planning calls for a study and incorporation of historic and archeological properties into every plan. Generally planning is conducted by the Denver Service Center, which has developed a high level of expertise. The excellence of plans has resulted in the simplification or elimination of historic preservation requirements for project planning. However, the limits of NPS's capabilities may preclude the development of a management plan for all parks.

Project Planning

Park units whose purpose is history or prehistory usually have well-qualified historians or archeologists, but their responsibility relates more to the interpretation of park resources than to compliance with the National Historic Preservation Act. The Regional offices assume primary responsibility for this aspect of the preservation program, although personnel in the park units assist. Staff in the Regional offices is well-trained and provides a continuity of expertise from project to project and park to park. Policy has been promulgated, in part through agreements with the Advisory Council on Historic Preservation, and is continually being refined and improved.

3. Fish and Wildlife Service

Organization/Staff with Preservation Responsibilities

Washington Office: staff is one person, professional
Regional Offices (7): staff in each region is one person, generally non-professional
Field and Service Offices: no staff

Land Use Planning

F&WS has no policy calling for overviews, inventories, or planning for historic and archeological properties.

Project Planning

Responsibility for the preservation program is carried out by the Regional offices although policy has not been adopted in final. Staff in the Regional offices generally gains experience and training only through handling projects in the course of work.

4. U.S. Forest Service

Organization/Staff with Preservation Responsibilities

Chief's Office: staff is one person
Regional Offices (9): staff in each is one to two persons
Forest Offices (about 150): staff in each is one person

Land Use Planning

USFS develops land use plans for individual forests. Planning policy call for an overview of the history and archeology of the forest as part of the land use plan. A plan is presently being developed for each forest, and each administrative level in the USFS is given broad autonomy in carrying out the planning policy. The requirement for land use plans is so recent that none have yet been completed.

Project Planning

Responsibility for the preservation program is carried out by the Forest offices, with assistance from the Regional offices, as needed. Policy has been developed and each office is given considerable discretion in implementation. Although all of the program staff in the Regional and Forest offices are professionals, USFS depends upon para-professionals to meet its field responsibility to identify historic and archeological properties. The para-professionals are generally qualified through on-the-job training and, depending upon availability, work under the supervision of Forest and Regional staffs. Once properties are identified, the professional staff handles decisionmaking.

5. Department of the Navy: Installation

Organization/Staff with Preservation Responsibilities

Washington Office: staff is one person
Field Divisions (6): general environmental staff has responsibilty
Installations (about 600): staff in larger ones, most depend upon Field Divisions

Land Use Planning

The Navy has developed and maintains a master plan for each installation. The master plans are developed by the Field Divisions, providing continuity of expertise from installation to installation. While each Field Division has an environmental staff, policy for the preservation program has not been developed, and generally no Division has developed expertise in archeological and historic responsibilities. For several installations, where outstanding cultural values are present or where controversy has arisen, work has been conducted to identify and plan for historic and archeological properties. Recently, one Division hired a professional to upgrade its historic and archeological planning.

Project Planning

Responsibility for the preservation program rests with the installation, although no formal policy is established. A few installations have professional staff or follow planning guidance to ensure the incorporation of historic and archeological properties into their project planning.

6. Department of the Army: Installations

Organization/Staff with Preservation Responsibilities

Washington Office: staff is one consultant
Mayor Commands (3): staff is none to one person
Installations: with the exception of four installations, none have staff

Land Use Planning

The Department of the Army has no policy calling for land use plans. For some installations inventories and overviews of history and archeology have been developed to improve management of these resources and to facilitate project planning. Policy is now proposed that will call for inventories and overviews wherever such studies would aid project planning.

Project Planning

Responsibilities for the preservation program are carried out by the individual installation. Each installation is given great autonomy in carrying out policy and four have hired or trained staff to ensure that project planning includes a consideration of archeological and historic properties.

Land Disturbing Agency

1. Office of Surface Mining

Organization/Staff with Preservation Responsibities

Washington Office: staff is one person
Technical Service Centers (2): western center has staff of two people
Area Offices (13): no staff

Project Planning

For coal that is owned by the Federal Government, OSM through an agreement with the Advisory Council on Historic Preservation, depends upon expertise in its Western Technical Service Center, in the Federal agency that manages the land surface, and the States. The agreement coordinates the responsibilities of the Federal agencies involved and provides clear policy calling for careful planning for archeological and historic properties.

For coal that is not federally-owned, OSM's policy was curtailed as a result of litigation over its program regulations. Supplemental policy was developed through an agreement with the Advisory Council on Historic Preservation, but has not been implemented pending a review of the entire regulatory program. In the interim, preservation responsibilities are left to the Area offices and to the States.

2. Bureau of Reclamation

Organization/Staff with Preservation Responsibilities

Washington Office: no staff; policy branch is in Denver Regional Office
Regional Offices (7): staff is one to four people
Project Offices (about 7, created as necessary): staff is none to two people depending upon project requirements

Project Planning

For projects under construction, the Project offices carry out the preservation responsibilities; otherwise the Regional offices are responsible. BR staff consists of professionals who are well-trained and familiar with the history and archeology of their areas. Policy calls for careful consideration of cultural properties, particularly in areas of direct project effects. Policy is being refined to clarify responsibility for areas that are affected indirectly by projects.

3. Environmental Protection Agency

Organization/Staff with Preservation Responsibilities

Washington Office: staff is one person
Regional Offices (10): general environmental staff has responsibility

Project Planning

Responsibility for the preservation program rests with the Regional offices. Staff in the Regional offices generally gain experience through handling specific projects. Although no policy has been promulgated, all Regional offices transfer much of the responsibility to States, which are primary recipients of construction grants and which will assume permit authorities. Regional staff provide advice to the States and monitor performance.

4. Soil Conservation Service

Organization/Staff with Preservation Responsibilities

Washington Office: one staff person
Technical Service Centers (4): one staff person in each
State Offices (one in each State): with the exception of three offices, no staff
District Offices (one in each county): no staff

Project Planning

The preservation program is usually handled by the District or State offices, working with the local sponsor of the project. Each office has autonomy in carrying out its responsibility and three State offices have hired professionals to ensure the consideration of archeological and historic properties. Although no agency-wide policy has been promulgated, the Technical Centers are, on request, a source of advice for the offices within their regions. Policy is being developed to establish standards for the preservation program.

5. Farmers Home Administration

Organization/Staff with Preservation Responsibilities

Washington Office: general environmental staff of three has responsibility
State Offices (one for each state): no staff
District Offices (2-8 in each state): no staff
County Offices (one in most counties): no staff

Project Planning

Responsibility for the preservation program rests with the offices responsible for project approval, either the County, District, or State office. General policy has been drafted, and each office has discretion in how to carry out these responsibilities. The Washington office is available, upon request, to provide clarification and to advise in project planning. Some training is provided for project program staff in State offices.

6. Department of Housing and Urban Development

Organization/Staff with Preservation Responsibilities

Washington Office: general environmental staff has responsibility
Regional Offices (10): general environmental staff has responsibility
Area Offices (about 40): general environmental staff has responsibility

Project Planning

Responsibilities for the preservation program are carried out by the Area offices with occasional monitoring by the Regional Offices. HUD has established policy for its preservation program and gives each office some latitude in how it carries out this policy. HUD staff expertise is enhanced by a good training program, and some Area and Regional offices have hired professionals.

HUD also administers several grant program (Community Development Block Grant and Urban Development Action Grant) in which all environmental responsibilities are legally delegated to the local government that receives the grant. HUD provides policy guidance, in the form of regulations, to the grant recipients and requires them to certify that all responsibilities are carried out. Recipients frequently develop expertise on their own to ensure that historic and archeological properties are considered.

7. Federal Highway Administration

Organization/Staff with Preservation Responsibilities

Washington Office: staff is two to three people
Regional Offices (9): general environmental staff of one to four is responsible
Division Offices (one for each state): general environmental staff of one to four is responsible

Project Planning

Policy calls for uniform, good planning in advance of all projects, and gives autonomy to the administrative levels. Much of the staff is professional, and expertise is enhanced by an agressive, excellent training program. Primary responsibility for the agency's preservation responsibility rests with the Division offices, which usually turn many of the duties over to State highway departments. The Regional offices, however, approve all final preservation plans, thus effectively monitoring the performance of the Divisions and States. The States, which are the primary recipients of funding, have also developed a high level of expertise and participate in FHWA's training program.

8. Corps of Engineers

Organization/Staff with Preservation Responsibilities

Washington Office: staff is one person
Division Offices (11): staff is one to four people
District Offices (38): staff is one to four people

Project Planning

Responsibility for the preservation program is carried out by the District offices. Staff in the Districts, as it is in all Corps' offices, is competent and many are professional. Policy for Corps construction projects calls for thorough consideration of archeological and historic properties in the early stages of planning. Policy for Corps' permit program is being refined.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will recess until Thursday, May 6, when we will review the budget request of the Fish and Wildlife Service and the Institute of Museum Services.

[Whereupon, at 10:16 a.m., Tuesday, May 4, the subcommittee was recessed to reconvene on Thursday, May 6.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, MAY 6, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:25 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Cochran, Andrews, Proxmire, and Byrd.

DEPARTMENT OF THE INTERIOR

FISH AND WILDLIFE SERVICE

STATEMENT OF G. RAY ARNETT, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS

ACCOMPANIED BY:
- ROBERT A. JANTZEN, DIRECTOR
- F. EUGENE HESTER, DEPUTY DIRECTOR
- ROBERT E. PUTZ, ASSOCIATE DIRECTOR, WILDLIFE RESOURCES
- RICHARD N. SMITH, ASSOCIATE DIRECTOR, RESEARCH
- GALEN L. BUTERBAUGH, ASSOCIATE DIRECTOR, FISHERY RESOURCES
- RONALD E. LAMBERTSON, ASSOCIATE DIRECTOR, FEDERAL ASSISTANCE
- ROLF L. WALLENSTROM, ACTING ASSOCIATE DIRECTOR, ENVIRONMENT
- ROBERT E. GILMORE, ACTING DEPUTY ASSOCIATE DIRECTOR, NATIONAL WILDLIFE REFUGE SYSTEM
- JAMES C. LEUPOLD, ACTING BUDGET OFFICER
- J. AUSTIN BURKE, CHIEF, DIVISION OF BUDGET OPERATIONS, OFFICE OF THE SECRETARY

PREPARED STATEMENT

Senator McCLURE. Good morning. This is the time scheduled to review the fiscal year 1983 budget request for the Fish and Wildlife Service. The Service's fiscal year 1983 request for appropriated funds is for $233,194,000, which is a reduction of $17,290,000, or 8 percent, from 1982 appropriations to date. The Service is also requesting a decrease in personnel of 499 full-time equivalent staff years—again down 8 percent.

The Service also has a 1982 supplemental request of $1,800,000 pending before the committee that is intended to improve FWS fire management operations.

The Service is represented today by Mr. Ray Arnett, Assistant Secretary for Fish and Wildlife and Parks of the Department of the Interior, and Mr. Robert Jantzen, Director, Fish and Wildlife Service.

Gentlemen, if you would introduce your associates for us, Mr. Arnett can then present his statement. We will then have some questions for Mr. Arnett, and then Mr. Jantzen can present his statement and respond to our questions.

Both of your statements will, of course, be inserted in the record in full at this point, so I'd appreciate it if you could highlight them, if possible. And I understand, Mr. Secretary, you have another appointment at 10:30, and we will try to get you out of here in time to meet that appointment.

[The statement follows:]

STATEMENT OF G. RAY ARNETT

I appreciate the opportunity to be with you today to discuss the fiscal year 1983 budget for the Fish and Wildlife Service. The budget authority request for the Service in fiscal year 1983 is $416 million, of which $233,194,000 is for appropriations requiring congressional action. The congressional appropriation request represents a net decrease of $19,090,000 over comparable levels proposed for fiscal year 1982. The Fish and Wildlife Service is also requesting a fiscal year 1982 $1,800,000 supplemental for fire management.

There are three areas in the Service's budget proposals which are critical to the administration's strong commitment for change that I personally wish to underscore. Two of the changes will streamline the administrative structure of the Service and eliminate an unnecessary layer of management. We will close 18 area offices and realine 12 law enforcement districts to conform to the 7 regional boundaries. These two actions will result in greater responsibility and accountability for all Service programs by vesting the authority in the regional director. These actions will improve communications, allow additional resources to be allocated to the field, and save significant dollars over the long run. The third important initiative is to close or transfer to the States 31 national fish hatcheries. The hatcheries that we have targeted for transfer or closure do not contribute to high priority areas of Federal responsibility. Rather, they assist the States in the management of State-owned or State-managed waters. So in addition, 7 of the 31 hatcheries are proposed for closure due to their poor condition which results in high operating costs when weighed against the benefits.

I believe that on balance the Fish and Wildlife Service budget for fiscal year 1983 is adequate to meet its operational needs, and we will be improving some of the physical facilities at national wildlife refuges, the remaining national fish hatcheries, and research facilities that are in need with the increases we have proposed for maintenance and rehabilitation in the budget.

Director Bob Jantzen is here to answer any of your specific questions on the FWS budget. We believe we are most fortunate in having Bob as the Director. Prior to his appointment by the President, he was the director of the Arizona Game and Fish Department, a position he held with distinction since 1968. He is truly a professional wildlife manager and one who can and will administer the Fish and Wildlife Service with great skill.

Mr. Chairman, this concludes my prepared remarks and I will be pleased to answer any questions either before or after Director Jantzen's opening statement.

STATEMENT OF G. RAY ARNETT

Mr. ARNETT. Thank you, Mr. Chairman.

I appreciate the opportunity to be with you. I do have a short statement, and I will let the gentlemen at the front table here be introduced by Mr. Jantzen.

As I said, I appreciate the opportunity to appear before you today to discuss the fiscal year 1983 budget for the Fish and Wildlife Service. The budget authority request for the Service in fiscal year 1983 is $416 million, of which $233,194,000 is for appropriations requiring congressional action. The congressional appropriation request represents a net decrease of $19,090,000 over comparable levels proposed for fiscal year 1982. The Fish and Wildlife Service is also requesting a fiscal year 1982 $1,800,000 supplemental for fire management.

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INTRODUCTION OF DIRECTOR BOB JANTZEN

Director Bob Jantzen is here to answer any of your specific questions on the Fish and Wildlife budget, and I'd like to comment that we are most fortunate in having Bob as the Director. Prior to his appointment by the President, he was the director of the Arizona Game and Fish Department, a position he held with distinction since 1968. He is truly a professional wildlife manager and one who can and will administer the Fish and Wildlife Service with great skill.

So with that, Mr. Chairman, that will conclude my remarks, and I will be more than pleased to answer any questions either before or after Director Jantzen's opening statement.

Senator McCLURE. Thank you, Mr. Secretary. I think perhaps it would aid both myself in keeping the flow and also aid you in getting out of here if we ask you some questions first and then turn to the Director. Would that be satisfactory?

Mr. ARNETT. That's fine.

AREA OFFICE CLOSURES

Senator McCLURE. Mr. Arnett, in the conference report on the 1982 appropriations bill, the managers agreed that, "The Secretary should review the management structure of the Fish and Wildlife Service with special attention to the area offices. The results of the review should be available for the fiscal year 1983 hearings."

Back in February, Director Jantzen and his staff communicated with me your desire to restructure your field management organization by closing 18 area offices. The functions associated with those area offices were to be shifted to one of your six regional offices, and the personnel and funding resources would be retained by the Service and allocated either to the regional office in support of those transferred functions or to nearby field stations.

I would note, and I think you know, that one of those offices is in Boise, Idaho, and I have had some interest in that and kept pretty close tabs on what was happening. But I would also say I have generally supported what you have been trying to do.

What is the status of those closures, and are they on schedule?

Mr. ARNETT. Yes, sir, they are on schedule. The closure determination has been made by the Fish and Wildlife Service. I have been closely involved with the process and the pros and cons. Director Jantzen will discuss the details of the area office closures. The closures are scheduled for the end of this fiscal year.

Senator McCLURE. I will get into that in some further detail later.

Is there a general consensus that the Service will be strengthened by these closures over the long term?

Mr. ARNETT. Yes, sir. I can't say it was an experiment and I don't mean to imply that the benefits derived from the area offices were nil. They did have in certain instances close proximity to field operations—as you point out, the Boise one. Some individual State directors felt they received good benefits from the area offices; other State directors found no benefit from the area offices. We found that many decisions could not be made in the area offices, and had to go back to the regional offices.

The end result we were looking for was to eliminate an unnecessary layer of Government that could be handled adequately through the regional office, thereby saving money and manpower. Most of the people in the area office will either be transferred to assignments within the region or to field stations.

Director Jantzen has all the specificity on that. We feel it is a very good decision.

Senator McCLURE. Have you received any strong opposition from any State?

Mr. ARNETT. No, sir. We have had comments from the States. We have very good relationships with the States now, I think, through Director Jantzen, and a close working relationship with the International Association of Fish and Wildlife Agencies. We work very closely with them at their annual meetings, to explain to them what our progress in the fish and wildlife area has been. Some State directors expressed more concern because they like the individual area managers. Others said, "My God, it's about time. They aren't doing us any good."

So there are mixed feelings, but I think the basic feeling is one of support.

Senator MCCLURE. You are referring to the professional people in the State agencies?

Mr. ARNETT. Yes; they are the professional agencies.

Senator MCCLURE. There may be others who have weighed this, too.

LIAISON WITH CONGRESSIONAL DELEGATIONS

Mr. ARNETT. Some of the congressional delegations—and naturally their provincial desire to keep things close to home is understood. We have made it very clear to the regional managers and area managers who are moving to the regional offices that we want to definitely retain liaison with the States, the professional people, and the political people. We want to continue working as good neighbors, not only work with the State directors but also with the local and Federal political end of it, too.

OPPOSITION TO AREA OFFICE CLOSURE

Senator MCCLURE. You haven't had any particular objection that you would note?

Mr. ARNETT. Maybe Bob can answer that better. I don't think I have. Maybe Bob has had some I don't know about.

Senator MCCLURE. I might just ask Bob at this time. Have there been any particular States that have registered greater opposition than the others?

Mr. JANTZEN. Mr. Chairman, I wouldn't say opposition, but there has been, certainly, some specific concern registered with Senator Bentsen of Texas, and the Austin area office. The reason is that the local office working very closely with our area office, received services not previously provided.

One of our high priorities in this move, as far as the regional director's responsibility, is to maintain the existing liaison in some States, and to develop it in others where it is still lacking.

LAW ENFORCEMENT REALINEMENT

Senator MCCLURE. Mr. Arnett, your statement references another organizational change that I'd like to discuss a little. You state that you intend to realine 12 law enforcement districts to conform to the Fish and Wildlife Service's regional boundaries. Which district offices will be closed under that plan?

Mr. ARNETT. Again, sir, the specifics on that I would like to ask Director Jantzen to comment on.

Essentially what we are trying to do—these are the special agents in charge, what are known as the SAC's, in the law enforcement area. Again, this is a move not to take away any law enforcement areas. The most critical area that we have found the most objection to has been down in the Southeast, the Louisiana area. We recognize not only the great wildlife values that are in the area, but also the poaching in waterfowl, alligators, and other wildlife. We have a very high presence in those areas which we expect to maintain.

The special agent in charge will now have a direct line of responsibility to the regional manager which didn't exist before. Previously, the special agents in charge had a direct line of responsibility to the Washington office. The Fish and Wildlife Service has determined that the line authority should be directly to the regions. The regional director will know what's going on in his area of responsibility. We believe this is much more effective management without taking away any on-the-field law enforcement. Perhaps the area that I have heard the most concern about has been the Southeast, the Louisiana area in particular.

Senator MCCLURE. How many staff would be relocated in this reorganization?

Mr. ARNETT. Do you know how many staff?

Mr. JANTZEN. Mr. Chairman, previously we had 12 law enforcement districts; that will be reduced to 7 districts to coincide with the regional boundaries.

[The information follows:]

LAW ENFORCEMENT REALINEMENT

The five special agent in charge district offices impacted by the law enforcement realinement are: Sacramento, New Orleans, Nashville, New York, and Baltimore. These offices will not be closed in the realinement, but some of their supervisory and administrative functions will be shifted to the remaining seven special agent in charge district offices located in regional offices. This will increase efficiency and reduce costs. No personnel will be relocated as a result of the realinement.

There may be some relocations as a result of the law enforcement workload analysis now in progress. We anticipate no more than 25 relocations. Relocations of personnel to areas of greater law enforcement needs will allow more effective and efficient use of available resources. The workload analysis is currently being reviewed by the Service's regional directors and Washington office directorate.

PERSONNEL AFFECTED BY CLOSURES

Senator MCCLURE. As I read Secretary Arnett's statement, he says, "We will close 18 and realine 12."

Mr. ARNETT. The 18 are the area offices——

Senator MCCLURE. Eighteen area offices and realine 12 of the law enforcement?

Mr. ARNETT. Yes.

Senator MCCLURE. Go ahead. The number of personnel that would be affected by the reorganization.

Mr. ARNETT. The special agents in charge will be moved into the respective region. Now there will be a SAC for each one of the regions.

There will be 7 special agents in charge, where previously there were 12 special agents in charge.

Mr. JANTZEN. Mr. Chairman, if I could expand on that particular point; the closed district offices will include Sacramento, New Orleans, Nashville, New York, and Baltimore. But I hasten to point out that the closed district office does not mean that we will move everybody out. I think there has been some feeling that this would be the case.

Senator McCLURE. How many will you move out?

Mr. JANTZEN. It will affect about 25 people total.

Senator McCLURE. Twenty-five total out of how many? How many people are involved in those offices now?

Mr. ARNETT. Approximately 190 or 200?

[Discussion with staff.]

Mr. ARNETT. Well, according to Mr. Gilmore, about half of the people in the district offices will be affected. There are about 50 in the district office, of which 25 will be affected.

Mr. GILMORE. Mr. Chairman, I think you were talking about the district offices of law enforcement.

Senator McCLURE. Yes; that is correct.

Mr. GILMORE. We have approximately 50 people that would move if we were to close district offices. Because we are not closing the offices down, we may continue to use most of those offices as senior resident agent offices with less administrative responsibility. We don't expect to affect the lives by the movement or change in workload of any more than about 25 people.

Senator McCLURE. Is 50 the total number of people that are involved in these offices?

Mr. GILMORE. It is approximately that, yes, sir.

REORGANIZATION SAVINGS

Senator McCLURE. Are there cost savings associated with the proposal?

Mr. ARNETT. Bob.

Mr. JANTZEN. Yes, sir, there are.

Senator McCLURE. Would you outline what those are?

Mr. JANTZEN. Very briefly, Mr. Chairman, I will do so and ask Mr. Gilmore to provide more specific information. Each one of the district offices requires a certain amount of administrative staff; we can reduce that requirement to some extent.

WORKLOAD ANALYSIS

Also, the issuance of permits can be maintained with fewer clerical staff at a decentralized location. We are doing a workload analysis now to determine where some of these jobs will be done.

Senator McCLURE. You haven't completed the workload analysis so you can't tell me exactly what the cost savings might be.

Mr. JANTZEN. No, sir, we are in that process right now: the results are not available yet. Mr. Gilmore can add to that.

Mr. GILMORE. The workload analysis, Mr. Chairman, would provide an insight of where the greatest levels of our law enforcement work is required. We will use the results of this analysis as a guide and rearrange the law enforcement staff accordingly.

As far as cost savings are concerned—I think we do save over the long term—by redirecting savings resulting from less administrative staff, combining activities, such as permit administration, and even some of the investigation responsibility to other high priority law enforcement areas. We intend to use less space and hopefully less equipment.

Senator McCLURE. I understand that you have not yet completed your analysis of the workload data. I understand also that you haven't had the opportunity to review even a draft reorganization plan with the Service's regional directors; is that correct?

Mr. JANTZEN. That is correct.

Mr. ARNETT. But we have with the SAC people, have we not?

Mr. GILMORE. We have been working in constant contact with the regional directors and our special agents in charge defining where the workload is and positioning the people where the work is.

Senator McCLURE. Well, with all due respect, Mr. Secretary—and I understand the thrust of what you are trying to do, and I tend to support it and want to support it, but I am a little perplexed that you could present as an accomplished fact something which hasn't even been discussed, something which isn't even on paper, hasn't even had the workload analysis completed yet; and in spite of the fact you don't have a workload analysis yet, you can identify which offices are going to be closed.

Mr. ARNETT. Well, sir, I went to one of the meetings about 2 months ago when we got all the special agents in charge into this office for a 3-day meeting. We asked for their input and sent it back to the regions asking for their input again. With that basic amount of information, the overall determination of moving it into the regions was defined. Mr. Jantzen sent out a directive to that effect, that this would take place. Now, this is trying to put the meat on the bones to see exactly who will go where. The plan is an accomplished fact; these regional changes will be made and the SAC district changes will be made.

Senator McCLURE. You are making an assumption that hasn't yet been proven, and that assumption is that there are workload savings and that there is an economy involved here. Until you have done your workload analysis, how can you make that statement?

ADMINISTRATIVE DECISION

Mr. GILMORE. Mr. Chairman, we made an administrative decision that the special agents in charge, who are administrators of the program, could continue to administer the program from 7 locations instead of 12. The workload analysis was for the Service to objectively look at where we were actually conducting our work and where there may be a need to shift people in the field. The workload analysis has nothing do with the administrative decision to realine SAC districts. If we have work in the northeast part of the State and we have an agent in the southwest, we need to consider moving the agent to the northwest. It still can be administered by the seven SAC's.

Senator McClure. I understand that. I don't mean to nit-pick, and I suspect you have done some seat-of-the-pants judgment here, which may be very good, but I don't know how you can say you can make an administrative decision without a workload analysis. Without knowing where the work occurs and how much is occurring where, it seems to me a little difficult to know how you made the decision as to which offices to close.

Again, I tend to support what you are trying to do, as I have in the reorganization of the area offices.

Mr. Gilmore. There is one other piece of information. The 12 SAC concept, which was originally a 13-SAC concept, was designed to have a minimum level of 340 agents. We have about 200 agents right now, and have not been able to get much over 200 agents through the budget process. We can do our job with about that level of agents.

With this adjustment in the program we can administratively manage 200 agents from seven locations. So I wouldn't necessarily call it a seat-of-the-pants evaluation. This was a redesign of a plan we laid on sometime ago.

WORKLOAD DISTRIBUTION

Senator McClure. I understand that. But you still can't give me the workload analysis that indicates even how the workload will be distributed within the areas that remain. And at some point you will develop that analysis, and when you have it, it may even support what you have already decided to do.

Mr. Gilmore. Yes, sir.

Senator McClure. And I would hope your workload analysis is designed to discern the facts and not to support the judgment.

Mr. Arnett. Thank you, Bob.

I appreciate what you are saying, and all I can say is that we will let you have all the information as it is developed. It is not that far from being completed. There's an awful lot of work that's gone into it, and it may seem a little looser than it really is.

INTRODUCTION OF BOB GILMORE

I should point out for the record that Bob Gilmore is the Acting Deputy Associate Director of the national wildlife refuge system.

Senator McClure. Thank you very much. I know the two matters we have discussed already are matters of high interest to at least a couple of other members who have come to express that interest.

Senator Proxmire.

NATIONAL WILDLIFE HEALTH LAB

Senator Proxmire. Mr. Chairman, I have a very strong interest, for obvious reasons, in the National Wildlife Health Lab in Madison, Wis. It has been slated for closure by the Fish and Wildlife Service, and I'd like to ask a few questions about it.

I might point out that this lab is the only one in the United States to deal with the health of wild creatures. It was established in 1975 and has about 30 employees, and I understand closing it would save $1,600,000 in fiscal 1983. The lab is currently undergoing renovation at a cost of $6 million, and the renovation is almost complete. Ending the lab, of course, would mean a total loss of those funds.

Let me ask: Why did you decide to spend that $6 million, and have you changed your mind about the lab's importance, and wouldn't the closing of the lab not be wasteful?

Mr. ARNETT. Senator Proxmire, if I may, I'd like to refer that question to Dick Smith who is the Associate Director for Research.

Mr. SMITH. I think that the record should show that the 1982 Appropriations Act required the Service to reduce our migratory bird research effort by about $500,000. In addition, the conference report also required that we reduce our total appropriation by 4 percent, which meant a net reduction of about $700,000 in this particular program; the program that primarily supports the Madison Health Lab.

Given a reduction of that nature this year, we reduced the research at all laboratories. Since we will have to try to operate three major laboratories and two minor laboratories with $5 million in fiscal year 1983 it is my feeling that rather than try to reduce every laboratory a small amount ending up with a marginal program in all five, one facility has to be earmarked for closure.

Of the facilities that we are involved with, the judgment has been that the Madison Laboratory was of least importance for the following reasons:

One, the facility is not completed. It won't be completed when the $6 million has been expended. A tight isolation facility, which is another construction item is needed before we have a facility that will be able to handle disease problems in the migratory bird area.

Senator PROXMIRE. How much more money would be needed to complete it?

Mr. SMITH. $2.7 million for construction items to complete the facility.

Senator PROXMIRE. Would you agree that the $6 million would be a loss if you close the lab?

Mr. ARNETT. If we close the laboratory, the $6 million will be lost in terms of the fact that the facility will not be a Fish and Wildlife Service facility. Some other agency may or may not take over the facility.

Senator PROXMIRE. You're losing $6 million and you've saved $2.7 million.

Mr. SMITH. Plus the operation of the facility.

Another reason for the choice of this facility versus the others was that over half the operating budget now utilized at that facility is used in running the facility. The equipment that is used in the facility requires a higher degree of cost in terms of energy usage. The facility is not adequately staffed to carry out its mission at the moment, and less than 25 percent of the resources of the facility are being used for research.

Senator Proxmire. As I understand, the lab was started because there was no other Federal facility to deal with wildlife fowl diseases.

Mr. Smith. That is right.

Senator Proxmire. How does the Fish and Wildlife Service propose to do that kind of research without the lab? If the plan is to contract out this work, how much will be spent in contracts, and can it identify the labs or organizations competent to do that kind of work?

WILDLIFE DISEASE RESEARCH

Mr. Smith. It is not quite right that there are other facilities available. The Southeast disease facility at Athens, Ga., does do some of this kind of activity. There is also a facility in Storrs, Conn., that can do some of this activity. Ames Laboratory at the Agriculture Department has the capability. Some of the universities have the capability.

If the dollars are not available to do the work at the Madison Health Lab, no doubt funding will not be available to contract that effort to any of these other facilities.

Senator Proxmire. So some of the work will not be done.

Mr. Smith. That's right.

Senator Proxmire. I understand the lab has very specialized equipment.

Mr. Smith. That's right.

Senator Proxmire. How much will it cost to duplicate that equipment elsewhere, and are there plans to dismantle the equipment and move it to other labs?

Mr. Smith. The equipment costs to date are $1 million. We have not entered into any plans for dismantling the laboratory or dispersing the equipment anywhere else at the moment.

DISEASE PROBLEMS

Senator Proxmire. Does closing the lab in this way create a——

Mr. Smith. I'd say in the short run, yes.

Senator Proxmire. Permanent isn't much of a short run.

Mr. Smith. I have to answer your question "yes." But I think in the long run, eventually, if the human population of this country continues to expand and wildlife and fisheries species continue to be restricted because of lack of habitat, we are still going to have disease problems.

Senator Proxmire. Thank you.

Senator McClure. Senator, I was asked by Secretary Arnett at the outset to be able to leave here by 10 o'clock or closely after in order to make another commitment which he has. I want to mention that now because if there are questions of a general policy nature that ought to be addressed to the Secretary, we ought to do that now, and I would hope we have time for both Senator Byrd and Senator Cochran to do the same.

Mr. Arnett. I shall make that time available.

Senator McClure. But when we get down to the questions of specifics, of the supporting data, which I suspect can be answered by members of the staff, we can defer those until each member here has a chance to ask questions of the Secretary of a policy nature. I don't mean to cut anybody off, but I want to make sure everybody here has a chance to ask questions of the Secretary that deal with general policy rather than specific.

Senator PROXMIRE. Can I complete just one more question, and then I'll put the rest in the record?

Senator McCLURE. Yes.

WATERFOWL PRODUCTION

Senator PROXMIRE. Our estimation is about 20 million waterfowl die every year in the United States in nonhunting causes, and most of the loss is due to disease. How much does the Fish and Wildlife Service plan to spend in fiscal year 1983 to increase waterfowl production, including habitat improvement? Could some of this money be spent on disease control?

Mr. SMITH. I'd have to refer that to someone else. I can tell you how much is going to be spent on research.

Mr. ARNETT. On things you might ask about the lab, the analysis that I had as far as work done on the lab and those 20 million birds that die off, many of which are diseases that we are very aware of and there's not a whole lot to be done about—but the research lab did some 5,000 animals totally in 1981, of which about 95 percent of those analyses were on birds, to identify the disease.

Mr. SMITH. Essentially what you are asking is how much money is being spent on waterfowl management, including disease work, law enforcement, and refuge work. I can't answer that question.

The 20 million figure is not an objective figure; it's subjective; it's a guesswork figure.

Senator PROXMIRE. I don't want to hold you up, so suppose you give me a more detailed answer for the record. Will you do that?

Mr. SMITH. Yes, sir.

Senator PROXMIRE. Thank you, Mr. Chairman, and thank you, Mr. Arnett.

Mr. ARNETT. Thank you, Senator.

[The information follows:]

WATERFOWL PRODUCTION

The Service proposes to spend approximately $500,000 to increase waterfowl production primarily on waterfowl production areas in Iowa, Maine, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Utah, and Wisconsin. Also, $6.5 million in permanent appropriations from the migratory bird conservation fund, which includes receipts from sale of duck stamps, will be used to acquire waterfowl breeding habitat in the prairie pothold region.

Control of diseases is one of the necessary activities that occurs on waterfowl production areas to disperse unhealthy concentrations of birds, and locate, remove and dispose of dead or dying birds. The diagnostic services provided by the Madison Lab are of lower priority of known disease prevention techniques and control measures. The Service plans to contract for diagnostic services on an as needed basis.

FACILITY CLOSURES

Senator McClure. Mr. Secretary, in a number of places in your justification you state that in order to effect the savings indicated, you need to phase out certain things in 1982. I cannot emphasize too strongly how concerned I am with respect to that plan of operation.

The 1982 appropriations bill provided funding in a specific amount for the operation of the national fish hatchery system. In fact, this very proposal to close these hatcheries was considered in the 1982 budget and it was rejected by the Congress at that time. Any significant change from the provisions of the 1982 appropriations bill, such as closure of hatcheries, would require a reprograming request. Our reprograming guidelines allow for such a procedure, and we expect them to be followed.

How do you intend to procedure with closures in 1982 if final congressional action on the 1983 budget is not yet completed?

Mr. Arnett. That is a recommendation of 31 closures, Mr. Chairman. The 31 hatcheries were recommended for closure because of poor conditions, high operating costs, and the fact that the vast majority of the work done by these 31 hatcheries did not serve the Federal need to the degree that it served the State needs. The Fish and Wildlife Service has been working closely with the States to see if they would like to take over these hatcheries and operate them as State hatcheries where the benefits actually belong, rather than as a Federal presence.

HATCHERY CLOSURE CRITERIA AND RANKING

The hatcheries that are proposed for closure are those that did not provide at least 50 percent of their 1980 production to anadromous or Great Lakes fisheries, fisheries on Indian reservations, Federal fisheries mitigation, restoration of endangered species, or would require extensive rehabilitation to restore them to optimum condition. In this sense, there is a clear distinction between hatcheries proposed for closure and those to be retained. In considering the priority listing of hatcheries, there is no clear delineation of ranking values within a given segment of the list.

Senator McClure. My question isn't really directed toward whether the action is justified or not from your standpoint.

Mr. Arnett. I see.

Senator McClure. My question is more the procedure by which the decision is made in which you make your decisions and recommendations and the Congress then acts on them. There was an intense debate last year over the closure of some of these hatcheries that are now proposed for closure, and after hearing all of that debate, for whatever considerations the Congress puts into it, the Congress elected not to close them.

Mr. Arnett. Yes, sir.

Senator McClure. You are now stating you are planning to make certain savings in 1983, and in order to achieve those savings you plan to start the closures in 1982.

What I am saying, Mr. Secretary, is you do not have the authority to do that.

Mr. ARNETT. I agree, sir, that the Congress needs to give us that authority to do that. Maybe I can refer that to Bob. He thinks he has the answer for you.

Mr. JANTZEN. Mr. Chairman, we don't plan to take any action without further consultation with the Congress, that is the results of congressional deliberation on the budget proposal itself. We are in the planning mode right now. In order to close facilities on October 1, 1982, as called for in the President's budget, a number of actions must be implemented in fiscal year 1982. As part of the President's budget we must plan for all program proposals. We have not taken any action, nor would we do so, without consulting further with the Congress. We hope that Congress would inform us of their wishes in this regard.

SAVINGS FROM HATCHERY CLOSURES

Early in the fiscal year 1983 budget process the Service was asked to review the production from the national fish hatchery system to determine the hatcheries that did not contribute primarily to the high-priority management purposes identified in the fiscal year 1983 budget justifications. Approximately 31 hatcheries were identified in this exercise. This list, after several substitutions to exclude certain hatcheries with particular potential for high-priority production and to include certain hatcheries because of poor overall condition of facilities, represents the hatcheries proposed for closure in the Service budget request.

Senator MCCLURE. I know that this will be touched on by others as well, and I don't mean to belabor the issue. I know Senator Byrd and I have discussed this in the past. There have been other discussions. There is only one way that I know that it can be done, and that is through a reprograming request, which is either then approved or rejected.

Mr. ARNETT. Yes, sir.

Senator MCCLURE. If it is rejected, you are bound by the 1982 Appropriations Act, as we all are.

Senator Cochran.

Senator COCHRAN. Thank you very much, Mr. Chairman.

Senator MCCLURE. And again, if you have questions that are detailed that can be addressed to the rest of the staff and you can hold those so Secretary Arnett can leave, I would apprciate that.

LAW ENFORCEMENT BUDGET

Senator COCHRAN. All right. I'm not so much interested in who answers the questions as in just having an answer to the questions.

Senator MCCLURE. Are they policy or detail?

Senator COCHRAN. Well, some are policy and some are less oriented to that area.

I am interested, first of all, in asking you about the law enforcement part of the budget request. The chairman touched on a couple of items in which he was interested.

Is there anywhere in the budget that you have submitted, line items saying how much of the budget will actually be allocated for law enforcement?

Mr. JANTZEN. Yes, Mr. Chairman and Senator Cochran. We have the funding by function and program.

Senator COCHRAN. What are they?

Mr. JANTZEN. Sir, for migratory bird law enforcement, $6,115,000.

Senator COCHRAN. $6 million?

Mr. JANTZEN. Yes, sir, $6 million. Mammals and nonmigratory birds $3 million. For fisheries resources, $225,000. For endangered species, $4,679,000.

Senator COCHRAN. Is that a law enforcement function?

Mr. JANTZEN. Yes, sir. The total fiscal year 1983 request is $14,039,000.

Senator COCHRAN. What percentage does that represent of the total budget request for the Service?

Mr. JANTZEN. Mr. Chairman, that is approximately 6 percent of the resource management account.

Senator COCHRAN. What's the total budget request for the Service?

Mr. JANTZEN. The total budget request in operation is $218,922,000.

Senator COCHRAN. What is it in comparison with the law enforcement function budget request this year as against last year?

Mr. JANTZEN. It is down approximately $1 million. Last year it was $15,026,000.

Senator COCHRAN. Does this represent a trend from previous years, or is this the first time that the law enforcement function has been reduced in your budget request?

Mr. JANTZEN. Mr. Chairman and Senator Cochran, as I understand it, it is the first significant reduction.

STAFFING LAW ENFORCEMENT

Senator COCHRAN. Let me ask you this question: There was a task force study done in April 1981 which said the law enforcement function of the Service was top heavy in Washington. In the law enforcement area there had been a 100-percent increase since 1975 of personnel in the Washington office while the increases in the regional and field areas had been substantially less. I think the regional was up 15 percent over that period of time and the field up only 5 percent.

What is the justification for having that many more people than from previous years in Washington doing law enforcement functions? How do you enforce law up here in Washington?

Mr. JANTZEN. Mr. Chairman and Senator Cochran, we are reviewing the law enforcement staffing now as a part of the overall workload analysis.

Senator COCHRAN. Hasn't this already been looked at? Frankly, isn't it true that in 1975 decisions were made to actually reduce field personnel in the Law Enforcement Division and send them to regional offices or Washington offices for planning and other kinds of activity?

Mr. JANTZEN. Senator Cochran, I'd like to have Mr. Gilmore respond since he has been looking at this specific question.

Mr. GILMORE. I would like to go back to the first question, if I can, Senator.

As a result of this study and as a result of an analysis of our own, we took a long, hard look at the Washington office. And in the past 2 years, we have decreased the Washington office staff by eight people and $400,000. We are continuing to reduce that staff. Right now we are at about 35 people in the Washington office. We are continuing to reduce that staff and hope to be down to about 30 by the time we reach this point next year.

Our responsibility in the Washington office, although it sounds terribly administrative and bureaucratic, is very important. The importance is that when a field agent is working on a project or on a case, we have desk officers in Washington who coordinate. He says, "I am working on such and such a case." Our people on the Washington staff have the file and they review the case and search the file to check if the person that is being investigated is not also being investigated by another agent on the other side of the country.

The responsibility, primarily of the Washington office, is to coordinate the law enforcement activities in the field—not to direct the activities but to coordinate and thereby eliminate overlaps and dual investigations for the same person.

REGIONAL OFFICES

Senator COCHRAN. You have just about as many regional offices as you do area offices. And I wonder whether or not you are allocating these resources for planning and reporting to each other and communicating with each other, but not really doing the work of enforcing the Federal laws relating to fish and wildlife.

That is a very serious concern of mine.

Mr. GILMORE. And it is a very serious concern of ours also.

Senator COCHRAN. Why are you moving in just the opposite direction? It seems to me you are putting more people in the regional offices, taking them out of the actual law enforcement functions. You are going to have about two people in an area office, and if anybody goes out and tries to investigate an offense, there is not going to be anybody to answer the phone. So how are you going to communicate and manage what they are doing? You won't have anybody to manage.

Mr. GILMORE. I will try to answer that. The people we are moving into the regional offices are supervisors, and with the exception of a very few of those supervisors their responsibility is to supervise their field agent force. A couple of the professional agents in charge are more active than others and do some of the enforcement work themselves. The people that we are moving are not our field agent force. We are not changing the number of people that are out enforcing the laws. We are only moving their bosses. We are cutting down on the number of bosses they have. We are really trying to cut down on the administrative overhead that you are so concerned about.

Senator COCHRAN. Mr. Chairman, I will yield at this point and renew my questions later.

FACILITY CLOSURE PROCEDURE

Senator McCLURE. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman. My questions are directed toward Mr. Jantzen.

Senator McCLURE. That's fine. I understand you have something on the floor, and I recognize that requirement, so go ahead.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Jantzen, the chairman has already referred to the requirement of committee approval for reprograming requests as a prerequisite of the closing of hatcheries.

Now, I understood you to say there would be no move until approval is gotten from Congress to proceed with the closing of such hatcheries. Am I correct?

Mr. JANTZEN. Yes, sir.

Senator BYRD. I call attention to a letter that was sent to Mr. Robert L. Miles, chief of the wildlife resources division, Department of Natural Resources, Charleston, W. Va., from the Acting Director of the Fish and Wildlife Service, in which he informed Mr. Miles as follows:

> I want to inform you that Bowden National Fish Hatchery has been identified for closure in fiscal year 1983.
>
> The President's budget for fiscal year 1983, which he submitted to Congress in February, includes a reduction in the Fish and Wildlife Service's Fishery Resources Program funding. As part of that reduction, 31 national fish hatcheries, including Bowden, will not be funded in fiscal year 1983.

Another excerpt from the letter reads as follows:

> If this facility can meet your needs, I encourage you to consider taking over its operation under a cooperative agreement. The facility will be available on October 1, 1982.

Our chief of the wildlife resources division was told the facility will be available on October 1, 1982, when as a matter of fact the closure would require committee approval of a reprograming request. So until Congress approves your proposal, it would seem to me that such a final statement and ultimate statement as is made in that letter cannot really be made.

I have several questions that I will put in the record, Mr. Chairman, with your permission, and the permission of the committee, and I would like answers with regard to them.

Senator McCLURE. They will be made part of the record, along with the letters, and there will be other questions that other members of the committee will submit for responses in writing.

[The information follows:]

Letters From David C. Callaghan, Director, Department of Natural Resources, State of West Virginia

October 29, 1981

The Honorable Robert C. Byrd
United States Senate
Old Senate Office Building, Room 105
Washington, D. C. 20515

Dear Senator Byrd:

It has been brought to my attention that the Fish and Wildlife Service FY '82 second round budget cuts call for the closure of the Bowden National Fish Hatchery at Bowden, West Virginia. This hatchery, established by the Fish and Wildlife Service, began production in 1960 and annually produces almost 30% of the catchable trout stocked in West Virginia waters.

West Virginia currently has one of the most effective and progressive trout stocking programs in the nation. This program has been developed over the years as a cooperative effort by the United States Fish and Wildlife Service and the West Virginia Department of Natural Resources.

West Virginia's 200,000 trout fishermen annually fish some three million man days for stocked trout. In addition, trout fishing plays an important role in the State's economy. Each year, trout fishermen spend $40 million on food, lodging, gasoline, and equipment in pursuit of their sport. Trout fishing is big business in West Virginia.

The closure of Bowden National Hatchery would have a disastrous impact on our trout program and result in the loss of hundreds of thousands days of recreational fishing and millions of dollars of revenue to the State. Our current budget restrictions would not permit the Department of Natural Resources to operate Bowden Hatchery should the Fish and Wildlife Service succeed in closing it.

Enclosed is a Resolution adopted by the Natural Resources Commission at their quarterly meeting on October 18, 1981, expressing their opposition to the Fish and Wildlife Service's closure of Bowden Hatchery.

I am, therefore, urging that you take all possible steps to insure that the Bowden National Fish Hatchery receives full funding in the Fish and Wildlife Service's 1982 budget.

Your attention to this matter is urgently requested.

Sincerely,

David C. Callaghan
Director

RESOLUTION

WHEREAS, West Virginia's trout stocking program provides some 3,000,000 man days of recreational fishing for West Virginia's 200,000 trout fishermen, and

WHEREAS, in addition to providing much needed recreational opportunities, this trout stocking program generates some $40 million to the State's economy through associated expenditures by West Virginia's fishermen, and

WHEREAS, this program has been developed over the years as a cooperative effort between the United States Fish & Wildlife Service and the West Virginia Department of Natural Resources, and

WHEREAS, Bowden National Fish Hatchery produces some 30% of West Virginia's annual trout production, and

WHEREAS, the closure of Bowden National Fish Hatchery would have a disastrous impact on West Virginia's trout stocking program and would result in the loss of thousands of days of recreational opportunity for West Virginia's fishermen,

NOW, THEREFORE, BE IT RESOLVED, that the West Virginia Natural Resources Commission, assembled at the Ponderosa Lodge, Rainelle, West Virginia, on October 18, 1981, urges that every effort be made by West Virginia's Congressional Delegation to assure the full federal funding of Bowden National Fish Hatchery.

* * * * *

April 8, 1982

The Honorable Robert C. Byrd
Minority Leader
Senate of the United States
Senate Office Building
Washington, D. C. 20510

Dear Senator Byrd:

The enclosed letter officially notified the West Virginia Wildlife Resources Division of the U. S. Fish and Wildlife Service's plans to close Bowden National Fish Hatchery by October 1, 1982.

As you are aware, the Department of Natural Resources strongly opposes this move which will have a crippling effect on our trout stocking program. I am hopeful that, with your assistance, the Fish and Wildlife Service can be convinced to continue their operation and funding of the Bowden Hatchery.

Sincerely,

David C. Callaghan
Director

BOWDEN FISH HATCHERY

Senator BYRD. I would like to ask two or three questions here and get the answers.

How many fish does the Bowden Hatchery produce in an average year, and what is the distribution of these fish between Federal- and State-managed waters?

Mr. JANTZEN. Senator Byrd, in fiscal year 1979 the Service produced and distributed 590,756 fish; in fiscal year 1980, we produced 542,139 fish.

Mr. Buterbaugh, the associate director of fishery resources, has additional information on the distribution. The trout production goes to Federal waters, principally the Forest Service, State waters, and military. In addition, the Air Force, Soil Conservation Service, and Veterans' Administration all share in Bowden Fish Hatchery production.

Senator BYRD. So about 78 percent of these go to federally-managed waters in the Monongahela National Forest. Is that a correct statement? And the rest are State-managed waters?

Mr. BUTERBAUGH. That is essentially correct, Senator.

Senator BYRD. Is it not also true the fish hatchery is operated by the State——

Mr. BUTERBAUGH. That also is correct, sir.

Senator BYRD. So it seems to me any stocking of State waters by the Bowden Hatchery is more than offset by State contributions for federally-managed waters.

OPPOSITION TO PROPOSED CLOSURES

Mr. Chairman, I oppose the closing of this hatchery and will oppose any committee approval of a reprograming request. Now, if the committee does not approve a reprograming request, where does that leave Bowden Fish Hatchery?

Mr. JANTZEN. It leaves it open, Senator Byrd.

Senator BYRD. Very well.

Mr. Chairman, I also would add for the record that Senator Huddleston, although he could not be here today because of another commitment, opposes the proposed closure of the hatcheries at Wolf Creek and Frankfort, Ky., as does Senator Hollings at Walhalla and Cheraw, S.C. He, in fact, received a letter from the entire South Carolina delegation about the impact of the proposed closure on sports fishing and tourism in their State.

I would ask that their letter, as well as the one from Senator Hollings of April 9, 1982, be included in the record.

Senator MCCLURE. It is so ordered.

[The letters follow:]

LETTER FROM VARIOUS SENATORS

March 23, 1982

Sen. James A. McClure, Chairman
Subcommittee on Interior and Related Agencies
Senate Committee on Appropriations
Room 1208, Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing to request your assistance in continuing funding for the United States Fish and Wildlife Service fish hatcheries at Cheraw and Walhalla, South Carolina.

As you may know, funding for these hatcheries was included in the FY 1982 Interior Appropriations Act signed by the President. The proposed FY 1983 Budget does not include any funding for these projects, however, and we are informed that preparations are being made for their closing during the current fiscal year.

These hatcheries are vital to the sustenance of the sport fishery program in South Carolina. Sport fishing is the principal outdoor recreational activity within the State. With the ever-increasing demand on this limited resource, these hatcheries are essential to the maintenance of quality freshwater fishing.

The Cheraw National Fish Hatchery is the sole source of fish production for a forty-two county area of North and South Carolina. Fingerlings from this hatchery stock approximately 800 ponds annually. Moreover, this hatchery produces the entire supply of smallmouth bass for stocking public waters throughout the State.

The Walhalla National Fish Hatchery is the only cold water fish hatchery in the State. Approximately seventy-five percent of the fish stock produced at this hatchery is deposited into Federal waters, including the headwaters of several Federal hydroelectric projects.

These hatcheries have been highly successful operations, and they continue to meet a great demand in our State. The South Carolina Wildlife and Marine Resources Department firmly believes that the State lacks the expertise and financial resources necessary to assume the functions of the Cheraw and Walhalla hatcheries. Accordingly, we urge you to continue the funding for these projects through the coming fiscal year.

With kindest regards and best wishes,

Sincerely,

Strom Thurmond — Fritz Hollings
Strom Thurmond — Ernest F. Hollings

Thomas F. Hartnett — Floyd Spence
Thomas F. Hartnett — Floyd Spence

Butler Derrick — Carroll Campbell
Butler Derrick — Carroll Campbell, Jr.

John L Napier
Kenneth L. Holland — John L. Napier

LETTER FROM SENATOR ERNEST F. HOLLINGS

April 9, 1982

Honorable James A. McClure
Chairman, Subcommittee on Interior and
Related Agencies
Committee on Appropriations
United States Senate
3121 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Jim:

This is to follow up our South Carolina delegation's letter to you on March 23rd with regard to the Walhalla and Cheraw fish hatcheries.

Enclosed is a letter received from Dr. James B. Timmerman, Jr., the Executive Director of the South Carolina Wildlife and Marine Resources Department. Dr. Timmerman provides a State view of the impact of the closing of these hatcheries as well as a concern about the zero budget for 1983 for the National Reservoir Research Program. I would appreciate your arranging for Dr. Timmerman's letter with enclosures to be printed in the Subcommittee's hearing record so it will be available when we consider the Fish and Wildlife Service's 1983 budget.

With kindest regards.

Sincerely yours,

Ernest F. Hollings

LETTER FROM JAMES A. TIMMERMAN, JR., EXECUTIVE DIRECTOR, SOUTH CAROLINA WILDLIFE & MARINE RESOURCES DEPARTMENT

March 11, 1982

The Honorable Ernest F. Hollings
State Office Building
Washington, D. C.

Dear Fritz:

Once again the Fish and Wildlife Service plans to close fish hatcheries in South Carolina. This is reflected in the recently submitted budget to Congress. We have fought this battle repeatedly for the past five years, annually turning to you for assistance. Our most recent letter to you on October 13, 1981, explained in detail how fishing opportunities would be curtailed in South Carolina if the Walhalla and Cheraw National Fish Hatcheries were closed. With the priorities used by the Service in considering which hatcheries would be closed, we do not feel they have sufficient justification, particularly as the Cheraw Hatchery relates to the Anadromous Fish Program. With the present Administration's budget reductions, we feel closure of these hatcheries more imminent and real than ever before. It is our understanding that the operations will begin phasing out during March with complete closure by September. Once again, any assistance you can provide to minimize this impact on fishing in South

Carolina would be appreciated. If someone from your staff desires more detail on the hatchery system and its place within our total program, please contact Joe Logan, Chief of our Freshwater Fisheries Division at 803 758-0007, and he will be more than glad to provide you with any information desired.

Another program of extreme importance to us in South Carolina which has a zero budget for 1983 is the National Reservoir Research Program. Reservoirs (the majority federally built and funded) provide the largest portion of freshwater fishing in the United States. Percentage-wise, South Carolina probably leads the nation comparing reservoir acreage to total land acreage.

Field stations of the National Reservoir Research Program are located in Arkansas, Kentucky and Clemson, S. C. The team of fishery scientists at the Clemson station has been invaluable in providing this agency with information needed to protect and enhance the aquatic systems. The Fish and Wildlife Service agrees to the need for research on reservoirs, however, they state that reservoirs are under the management of state fish and game agencies, thus the justification for the closure of these research stations. We disagree since the majority of large reservoirs were federally built and funded and many are interstate. With the construction o these large reservoirs, states simply do not have the personnel to carry out the complex investigations and analyses required to make proper management decisions.

In June, 1983, a new federal reservoir, the Richard B. Russell Reservoir, will begin filling. We were depending upon the National Reservoir team at Clemson assisting our Department in providing information that will be required for properly managing this 26,500 acres of water.

I am attaching a fact sheet on the National Reservoir Research Program. There may be some programs within the Service that are questionable, however, we strongly endorse this program and hope you can in some manner assist in restoring this budget.

If we can provide any further information, contact us any time.

With kindest personal regards,

Sincerely,

Jim

James A. Timmerman, Jr.
Executive Director

National Reservoir Research Program

Why are we doing it?

The Fish and Wildlife Act of 1956 and the Fish and Wildlife Coordination Act of 1958 focused attention on the importance of developing methods for managing reservoirs and tailwaters. The National Reservoir Research Program (NRRP) was established in the early 1960's to carry out a long-term assessment of reservoir fisheries. This need was evident because reservoirs account for the largest portion of freshwater fishing in the U.S. (about 10 million acres) and because the majority of large reservoirs are federally built, funded, or licensed. In addition, many reservoirs are interstate and most states do not have the capability to carry out the complex investigations and analysis required to understand and manage these bodies of water. The program provides biologists with needed tools (predictive formulas, stocking ratios, predator-prey formulas, etc.) in order to manage fisheries within their jurisdiction. A single Federal group working on several reservoirs and analyzing data from nearly all large reservoirs nationally is cost effective and efficient.

Under the Fish and Wildlife Coordination Act, the Service comments on the impact of all power plants licensed and makes recommendations for minimizing damage or enhancing the environment. Over 160 nuclear power plants are planned, under construction, or operating and over 1,000 potential pumped-storage sites are identified in the United States to meet power requirements. Many of these plants will impact existing reservoirs. Considering the limited biological knowledge and complexity of reservoirs, and the increased use by power plants and industry in the future, it is necessary to study these waters to predict the effects of water quality alterations on the fisheries and management options.

What are we doing?

1. Assessing stocks in several reservoirs in order to develop and improve predictive models, reservoir management models, and power plant models. Predictive models, based on past and current data are used to estimate sport fish production and optimum yield levels for individual waters, including those not yet constructed. Reservoir management models, such as predator/prey ratios, provide methods for managers to determine harvest regulations and stocking requirements. Power plant models are used to predict impacts of pumped storage hydroelectric operations and heated effluents from steam electric generating plants on fish and habitat influenced by these operations.

II. Completing study of multiple outlet reservoirs. In cooperation with U.S. Corps of Engineers (USCE), the impact of surface outlet versus low level outlet flows on fish and habitat in reservoirs and tailwaters is being determined. USCE has operated at surface levels for 4 years and 3 years at deep levels. Measurements in 1982 will complete the field work; analysis of data will be completed by December 1982. Reports to provide a comparison of effects of release from various depths and a complete synthesis of all field data from the project with potential application for management of other multi-outlet projects are due September 1984.

III. Completing Corps of Engineer funded tailwater studies. In order to understand the impacts of reservoir operations and releases on downstream aquatic biota, a seven year (1978-84) study is being conducted at seven tailwaters in Kentucky, Arkansas, and South Carolina. Research describes the effects of altered minimum releases, altered release depths at hydroelectric plants, and variable hydropower releases on water quality and aquatic life. The information will be used to develop operational guidelines for reservoir releases.

IV. Conducting studies on the effect of power plants on fish and other aquatic life in reservoirs. Water quality and biological information has been collected from a series of power reservoirs in the upper Savannah River watershed. Studies have centered on the effects of moving large volumes of water between reservoirs at pumped-storage hydroelectric plants and on the effects of heated discharges from a nuclear power plant. Recently studies have been expanded to evaluate the effects of redeveloping old low-head hydropower plants on anadromous fish (i.e., striped bass, sturgeon, shad) migration and reproduction.

V. Evaluating the role of striped bass in reservoirs. Striped bass are often stocked in reservoirs to feed on abundances of shad common in open waters and as a large sport fish. Striped bass reproduce in some reservoirs and periodic stocking is necessary in others to maintain the stock. Studies are ongoing to determine the interactions among striped bass, forage fishes and zooplankton in Lake Texoma, Oklahoma-Texas. Research is also determining the preferred habitat of all ages of this fish in reservoirs. NRRP is participating in a cooperative study with the Southeastern states to evaluate striped bass survival following stocking in reservoirs. This work will help determine stocking rates and potential harvest.

VI. Evaluating the effectiveness of Service trout stocking in Southern reservoirs and tailwaters. Trout fishing has been extended throughout the South by stocking trout in cool tailrace streams below reservoirs and in large reservoirs which maintain adequate water temperatures and dissolved oxygen levels in the deep water during the summer. The survival and return to the creel of various strains and those stocked at various sizes are being determined. The study will help set priorities for stocking trout raised in Service hatcheries in the future.

VII. Surveying the anadromous fish resources of the Savannah River Basin. Most anadromous species common to the South Atlantic states migrate upstream to Augusta, Georgia (about 200 miles). Initial work is documenting species composition and distribution of fish and invertebrates and water quality parameters. Specific studies will assess factors responsible for growth and mortality during early weeks of life. Work will lead to a management plan for the development and protection of the fishery resources in this basin.

Who Are We Benefitting?

The work of NRRP benefits nearly all agencies with natural resources responsibilities. This program has synthesized large volumes of field data into expressions useful to reservoir planners and managers. Models for predicting fish standing crop and harvest are used by the Division of Ecological Services (FWS) and State agencies for use in reservoir impact assessment and planning. Research and models related to power plants are important to our Ecological Services, the Corps of Engineers, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency and the States. Power Companies benefit by learning methods of minimizing damages and enhancing the use of their systems. Evaluation of stocking programs are used by the Service's Division of Hatcheries and Fishery Management. NRRP, by maintaining an active involvement in the Reservoir Committee, Southern Division, American Fisheries Society, provides leadership in the development of reservoir research and management strategies. The program further aids State fishery agencies by providing new sampling techniques and leading interagency cooperative studies.

Products

o Studies conducted by or under the auspices of the NRRP have resulted in the publication of over 250 scientific papers and reports covering reservoir ecology and management. Information transfer is an essential element of any research program.

o Guidance manuals are frequently prepared to summarize knowledge gained and present information in a form readily available to planners and managers. As an example, a manual for managing cooling lakes and ponds for fish and wildlife was recently completed. Relevant management theory and techniques for unaltered environments are combined with information on the effects of power plants to provide guidelines for optimum use of habitats created. Trade-offs between management of cooling lakes for fish and wildlife and management for power production are recognized.

o Workshops are held to exchange data and ideas with others concerned with specific topics. The "Clemson Workshop on Environmental Impacts of Pumped Storage Hydroelectric Operations" provided 70 scientists, representing most of the major pumped storage facilities in the United States, the opportunity to discuss mutual problems and research. The Proceedings from this workshop were published by the Office of Biological Services (FWS).

o The predictive utility afforded by the various models is adequate for a number of practical purposes where budgetary constraints preclude detailed studies of reservoirs. Approximations of fish yields and standing crops can be useful to managers who must make management decisions before comprehensive field data can be collected. Consequently, training modules have been developed to teach Service employees and workers from other agencies how to use the predictive methods developed by NRRP. All training is in cooperation with the Service's Fisheries Academy.

o The NRRP provides numerous other services. Upon request of Ecological Services (FWS), predictions of fish standing crops in specific reservoirs are supplied (51 in 1981). State fish management agencies receive requested available prey-predator calculations (99 in 1981). Advice is provided to Ecological Services and outside State and Federal agencies on specific problems such as dredging and filling, dam construction and other habitat alterations (frequently on the telephone). Staffs regularly confer with other agencies to plan work of mutual needs and review ongoing research. Talks on research are given at scientific meetings and to interested civic and other organizations. Manuscripts from outside sources which are being considered for publication in various scientific journals are reviewed.

LETTER FROM ACTING DIRECTOR, FISH AND WILDLIFE SERVICE, U.S. DEPARTMENT OF THE INTERIOR

MAR 31 1982

Mr. Robert L. Miles
Chief, Wildlife Resources Division
Department of Natural Resources
1800 Washington Street, East
Charleston, West Virginia 25305

Dear Mr. Miles:

I want to inform you that Bowden National Fish Hatchery has been identified for closure in FY 1983.

The President's budget for FY 1983, which he submitted to Congress in February, includes a reduction in the Fish and Wildlife Service's Fishery Resources

Program funding. As part of that reduction, 31 national fish hatcheries, including Bowden, will not be funded in FY 1983. In order to achieve the full savings of funds envisioned for FY 1983, production and distribution for FY 1982 must be terminated at such a time as to allow for closure of the facilities by the end of the fiscal year. This is necessary to accommodate the costs involved with closing, such as severance pay, transfer of equipment, and preparing the buildings and other nonmovable items.

Both the decision to close the stations in FY 1983 and to initiate action this year were difficult. There is always a desire to maintain past levels of Federal participation in fish and wildlife resource activities. I recognize that this action may impact your fishery programs. However, in periods of tight fiscal conditions, every program must be able to pass the test of meeting highest priority requirements. Bowden did not meet the requirements.

If this facility can meet your needs, I encourage you to consider taking over its operation under a cooperative agreement. The facility will be available on October 1, 1982. If you feel that your Department would be interested in obtaining the hatchery property, I recommend you initiate discussions with Mr. Howard Larsen, our Regional Director in Boston. We will be happy to consider proposals that would be mutually beneficial to all parties and, at the same time, meet budgetary requirements.

Please let us know as soon as possible if you are interested in discussing a possible transfer.

Sincerely,

Acting Director

GAME SPECIAL AGENTS

Senator BYRD. Mr. Chairman, I will not take further time at this time because Senator Baker does wish to confer with me on the floor, but I thank you for the opportunity to speak at this time, and also thank you, Mr. Secretary.

Senator MCCLURE. Thank you, Senator Byrd, and thank you, Senator Cochran, for yielding at this time.

Senator BYRD. Yes, and I thank Senator Cochran.

Senator MCCLURE. I turn it back to you, Senator Cochran.

Senator COCHRAN. Thank you very much, Mr. Chairman.

Is it true that back in 1970 there was a force of what was then called game management agents, about 175—these are now the special agents, as I understand—and that since 1970 there have been changes in Federal laws that have enlarged the scope of responsibility of the law enforcement function?

Mr. GILMORE. The answer is "yes" to both questions. There were about 176 special agents in 1970. I think we probably have added about five additional responsibilities in the law enforcement area.

Senator COCHRAN. Under the budget request that you are submitting, how many special agents will be supported to be out in the field throughout 1983?

Mr. GILMORE. Approximately 190 special agents, sir.

Senator COCHRAN. This would represent a decrease of some 10 positions?

Mr. GILMORE. Yes, sir.

Senator COCHRAN. From this year to next year?

Mr. GILMORE. Yes, sir.

LAW ENFORCEMENT NEEDS

Senator COCHRAN. Isn't it true that in order to fulfill the functions and responsibilities that you have you would need at least 250 special agents out in the field engaged in law enforcement activity?

Mr. GILMORE. Yes, sir, that can be true. We are in the realm of opinion in some cases. You know, some people say more and some say less. We could do more law enforcement activities with 250 agents as opposed to 190.

Senator COCHRAN. Would the projected or estimated cost of that kind of force amount to about $65,000 for each agent if you consider support personnel at the district level or area office level?

Mr. GILMORE. Yes, sir, $65,000 per field agent is correct, Senator.

Senator COCHRAN. So if we wanted to appropriate funds to provide a special agent force of 250, we would have to increase your law enforcement request from the roughly $14 million that you have in your budget request now to approximately $17 million to accomplish that?

Mr. GILMORE. If my math is right, that is approximately correct, yes, sir.

Senator COCHRAN. Exactly it was $17,940,000.

In the management of the Service, would there be any difficulty if the Congress instructed that to be done for the Service to respond in a positive way, or would we see the absorption of that additional appropriated funding being used to transfer more people into regional and Washington offices instead of having them out in the field for law enforcement activity?

Mr. JANTZEN. Mr. Chairman and Senator Cochran, our high priority is to assure the continuance of the field agent capability and the undercover agent capability. The Fish and Wildlife Service would do its best to respond positively to the direction Congress gives us in the budget.

Senator COCHRAN. I don't know if doing your best is going to be enough. If you look back over the period of historical response to decisions that have been made, at one time there was a commitment made to increase the number of special agents. Back in 1973 a decision was made to increase the special agents to 240, and there was movement in that direction. And then all of a sudden in 1975 or thereabouts, there was a reawakening of priorities in the Service, and apparently it was decided to begin reducing agents instead of trying to come up to that level of strength. And it appears the trend continues.

But this is not something that has been done overnight or because of the President's effort to cut spending. This is a problem that has been going on now for some 7 or 8 years, a conscious decision to emasculate the law enforcement effort of the Fish and Wildlife Service.

Is that your impression, Mr. Secretary? Is that your decision to continue that trend? Or do you have other ideas about how to administer this program?

Mr. ARNETT. Senator, if I didn't know better, I would think that you had been briefed by a special agent.

Senator COCHRAN. I have been briefed by a lot of constituents who are quite interested in this entire area.

Mr. ARNETT. Yes, sir. This is a problem. I was director of fish and game in California, and it is an insatiable idea, just like in Jackson, Miss., I guess you are never going to have enough policemen on the street to meet the demands of the people.

We have a responsibility—and to answer your question specifically here, there is no emasculation proposal to take place. I spoke with the special agents in charge when this realinement of law enforcement districts was coming about. I made a special effort to be at that meeting to assure our agents that I am law enforcement oriented. I was a police commissioner in my county in California for 14 years, and selected a law enforcement agent as my deputy director when I was director of fish and game, and also a law enforcement agent as my chief of operations. I am highly oriented toward the law enforcement efforts. I respect and very much appreciate the difficult job that agents have done. The Fish and Wildlife Service is attempting to maintain a high level of highly qualified professional law enforcement people.

So in spite of what some of the agents, particularly in your area, may have you believe, this is not any desire on my part or the administration's part to emasculate the law enforcement of the Fish and Wildlife Service.

SPECIAL AGENT REDUCTIONS

Senator COCHRAN. But yet you are presiding over the reduction of special agents to levels that existed almost 15 years ago.

Mr. ARNETT. Yes, sir, that is true. And we have better techniques than we had 15 years ago. We have better equipment than we had 15 years ago. The law enforcement agent is better trained than he was 15 years ago.

I agree there is an insatiable demand for law enforcement. The public wants to see the agent presence in the field. We have helicopters that we didn't have before. We have airplanes.

Senator COCHRAN. You have airplanes that you don't even have pilots for.

Mr. ARNETT. Yes, sir, that is very true. Any amount of money would help law enforcement. And with all the help that we have, we haven't stopped drug running, murder, rape, probably on the streets of New York, and we haven't stopped poaching and we aren't going to. If we put another 500 special agents out there, it would just compound the problems of administration, but we would still have poaching and illegal activity.

We are trying to do the best we can, sir, within the administration's capabilities.

Senator COCHRAN. Why do you keep adding management people instead of enforcement agents?

Mr. ARNETT. I don't think we are adding management people.

Senator COCHRAN. You are transferring people to Atlanta.

Mr. ARNETT. Yes, sir.

Senator COCHRAN. There's just so much violation of the Federal game laws and the other acts that Congress has passed. They are not going to find any evidence in Atlanta.

Mr. ARNETT. Sir, these people that are being transferred, as Mr. Gilmore pointed out, are the administrative people in the field that are going to administrative positions in Atlanta. The Service is not taking any effort away from the tule-creeper, or whatever you want to call the fellow in the field gathering the information. His presence is still going to be there. It is the agent administrative function presently in the field that is being moved to the region.

A share of law enforcement, unfortunately, is administration assuring that our people stay within the law. We can't just put a special agent out there without being sure he is not in some kind of jeopardy. The laws require us to do this in such a way that the administrator is probably as important as the fellow out there gathering the information to make sure that our cases are highly qualified, that we get convictions. We have a very high rate of convictions because it is administratively done in the proper way. We are not administratively oriented—we are law enforcement oriented—and administration is a very large part of law enforcement, other than just the collection of evidence.

Senator COCHRAN. I am disappointed that findings have been made previously that this function is top heavy in administration. We are seeing a continuing decrease in agents, and you are recommending even further decreases in those functions. People in my area feel very strongly that you are moving in the wrong direction.

I appreciate your response to those questions.

TUPELO HATCHERY CLOSURE

Besides that, you are closing fish hatcheries. What is the matter with the hatchery in Tupelo? Why does that have to be closed?

Mr. ARNETT. Who wants that question? [Laughter.] I don't even know where Tupelo is.

Mr. BUTERBAUGH. It's in Mississippi.

Senator COCHRAN. We'll have to get you down there. That's a very famous fish hatchery. It's world famous, I've been told, and you don't even know about it here in Washington.

Mr. JANTZEN. Senator Cochran, Mr. Buterbaugh has specifics on the Tupelo hatchery.

Mr. BUTERBAUGH. Senator, the criteria used was based on the percentage of the total fish reared in the hatchery to percentage stocked in Federal waters; for Tupelo 50 percent or less of the fish were stocked in waters for which the Federal Government feels they have primary responsibility. This would include international treaties, Indian reservations, this type of thing. Based on the criteria, Tupelo qualified for one of the 31 closures.

Senator COCHRAN. Where do you get the fish that go into Arkabutla, Enid, Sardis, and the Federal reservoir near Jackson? There are a lot of Federal reservoirs in that part of the State. Do you have another hatchery up in the Memphis area where you get fish for those waters?

Mr. BUTERBAUGH. In some cases we are hoping the States will pick up this production. We will readjust the entire production of the remaining hatchery system to see what we can pick up that is a high Federal responsibility in this exercise.

Senator COCHRAN. I have some more questions, Mr. Chairman, but I will yield.

Senator McCLURE. I think Senator Andrews had one question.

BLACKBIRD DEPREDATION

Senator ANDREWS. As you know, in my part of the country, the sunflowers have suffered greatly from the depredations of blackbirds. There was a blackbird research program in North Dakota, Minnesota, and South Dakota where large quantities of sunflowers are concentrated. And they are beginning to get some results. They have got quite a bit of work left to be done. But all we can find in going through your submission is that it is going to drop through the cracks. It is a matter of several millions of dollars of damage each year. It is a matter of funding a research program that has been going on for 2 or 3 years now and is just beginning to bear fruit. What is the justification for dropping that out?

Mr. ARNETT. Senator Andrews, I'll let Mr. Smith answer, who is Associate Director of Research.

Mr. SMITH. I assume you are talking about the contract we have with North Dakota State University.

Senator ANDREWS. That's right. That's the one that's up in that area. We have several other blackbird projects. They used to have one in Kentucky but that has to do with a cash crop.

Mr. SMITH. To my knowledge, we are not planning to drop it.

Senator ANDREWS. You're not?

Mr. SMITH. I don't think there is anything in this budget that proposes we are going to reduce that.

Senator ANDREWS. Are you planning to continue it?

Mr. SMITH. We are planning to continue it, as far as I know.

Senator ANDREWS. How much money are you asking for in this budget to continue it? I can't find it?

Mr. SMITH. The amount that was originally provided to North Dakota State University was $225,000.

Senator ANDREWS. Pardon?

Mr. SMITH. The amount that was appropriated originally was $425,000 in 1979, of which $225,000 was provided to North Dakota State University under contract.

Senator ANDREWS. That's right.

Mr. SMITH. Approximately $75,000 of that amount has been utilized in 1980, 1981, and 1982.

Senator ANDREWS. That's right, it runs out at the end of the fiscal year.

Mr. SMITH. To my knowledge, $75,000 would remain in the 1983 budget.

Senator ANDREWS. How much money is in the 1983 budget?

Mr. SMITH. $75,000, sir.

Senator ANDREWS. We have listed in your budget what is called an animal damage control in Bismarck, N. Dak. I am sure that is not what that is. That has to do with coyotes and distribution of some sort of birth control pills to the coyotes out there.

Mr. SMITH. The contract funds are provided through our research center to the North Dakota State University. The university's work is in conjunction with some other activity we are doing in the same area. The total budget expenditure on this item in that area or that part of the country in the last 3 years has been about $500,000.

Senator ANDREWS. I know this was a 3-year $225,000 program, and this is the third year, and I've talked to scientists there who feel it is extremely important. And what you are telling the committee is that you intend to continue it at that same rate in that same place.

Mr. SMITH. To my knowledge that is what we intend to do.

Senator ANDREWS. Fine. That's the answer I wanted. I'm going to quit while I'm ahead.

Senator MCCLURE. I was just going to say you have $75,000 earmarked that wasn't earmarked before.

Thank you, Senator Andrews.

Senator Cochran, do you have some questions for the Secretary on that?

Senator COCHRAN. Yes; I'm curious about some other things, but I'll submit those in writing.

Senator MCCLURE. Secretary Arnett, thank you very much for appearing here this morning and your willingness to answer questions.

Mr. ARNETT. Thank you, Mr. Chairman, and members of the committee.

Senator MCCLURE. Before you depart, I might say I think we are well-served in the Department by you and your staff, and I think you and Mr. Jantzen are a good professional team, and we appreciate very much the professionalism of your team.

Mr. ARNETT. Thank you.

PREPARED STATEMENT

Senator MCCLURE. Mr. Jantzen, your entire statement will be included in the record at this point.

[The statement follows:]

STATEMENT OF ROBERT A. JANTZEN

I am pleased to appear before you today and appreciate this opportunity to discuss the FY 1983 budget proposals for the Fish and Wildlife Service.

Before getting into the specifics of our 1983 budget request, I would like to talk briefly about several important changes since my appointment as Director.

During my six months as Director, we have consolidated resources, and have been identifying and re-establishing Service priorities.

The mission of the Service is to conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of people. Migratory bird management; particularly waterfowl; the refuge system; and the hatchery system remain the core of the Service. However, I believe we can manage our funding and staffing more effectively to maximize program accomplishments at the field level--improving delivery to the public, while enhancing fish and wildlife resources.

In this regard, a key initiative has been our decision to streamline the administrative structure, eliminating an unnecessary layer of management; improving communications from Washington to the field; and reallocating resources to the field. This will be accomplished through the closure of eighteen area offices and realignment of twelve law enforcement districts to conform to the seven regional boundaries. My intention is to place greater responsibility and accountability for the operation of all Service programs at the regional level. These improvements in management will allow approximately eighty additional positions for priority refuges and hatcheries.

This is a time of changing direction for this Nation. As fish and wildlife professionals, we can help change occur in a less disruptive manner. For this reason, I strongly support efforts to develop scientific information needed for sound resource management decisions.

I also look forward to the coming year to strengthen the partnership between the federal government and individual states. The individual state fish and wildlife agencies have developed into strong technically oriented, professional organizations in their own right over the years. This has enabled them to assume broad and more sophisticated responsibilities in the arena of fish and wildlife management.

BUDGET REQUEST

I would like to discuss some of the changes anticipated for 1983.

This budget reflects our determination to positively support the Administration's objective to control federal spending and meet our responsibilities to the resource. We can accomplish this by continuing to streamline administrative activities--concentrating on high priority fish and wildlife concerns and limiting federal involvement in matters that can be better handled by State and local governments.

The 1983 budget request for the Service totals $416.1 million, a two percent reduction from the 1982 estimate. For the Service's controllable programs, the FY 1983 budget includes $233.2 million for the operation of refuges, hatcheries, and research. A number of serious problems face the National Refuge and Hatchery Systems in the coming years. Among these is the condition of facilities and support systems--particularly at older field stations. Health and safety related projects are urgent because of the potential danger to visitors and Service personnel. Limited maintenance funding together with rising inflation and aging facilities has contributed to this situation.

Secretary Watt has announced support for the restoration and improvement of Service facilities. The support of this Committee has given us a start on correcting many of our problems. Approximately

$15 million will be spent in FY 1982 on refuge and hatchery maintenance.

Mr. Chairman, our budget request reflects our determination to protect and improve our facilities insuring the effective management of fish and wildlife. This includes an increase of $10.2 million for minor rehabilitation and cyclical maintenance at 203 national wildlife refuges, 37 national fish hatcheries, and three national research laboratories. Through an enhanced operations, maintenance, and rehabilitation program, we will be able to meet high priority fishery production commitments, maintain health and safety standards at older facilities, and improve/restore essential wildlife habitat.

CONSTRUCTION

Major rehabilitation will nearly double in 1983 from the $6.7 million 1982 level. Of the appropriation request of $12.7 million, about $6.6 million will continue restoration and rehabilitation affecting 40 national wildlife refuges.

Additional construction and rehabilitation funding of $3.8 million is identified for construction of pollution abatement facilities and improvement of current fish production capability at eight fish hatchery stations. Major safety-related rehabilitation projects estimated at $1.6 million are planned at three research facilities--Great Lakes Fishery Laboratory, Hammond Bay Biological Station, and Patuxent Wildlife Research Center.

The Service is requesting $636,000 to fund the second year of the dam safety program. In fiscal year 1982, this Subcommittee approved $622,000 to identify and inspect potential problem areas. The fiscal 1983 program will continue this effort focusing on 250 smaller size or lower risk dams.

PUBLIC USE

An additional provision has been made to strengthen public use activities on refuges and hatcheries. I believe in utilization of our resources. Hunting, fishing, and trapping are among the greatest traditions of the land. Harvestable surpluses of fish and wildlife should be made available. The viewing and enjoyment of wildlife should also be accessible to all people. The National Wildife Refuge System provides this unique opportunity for both consumptive and non-consumptive enjoyment of the resource.

ENERGY RELATED ACTIVITIES

One of the Department's highest priorities is the acceleration of energy leasing and development activities. Accordingly, we are proposing increased funding to complete the mapping of high priority wetland areas. The incorporation of wetland maps into the planning process will greatly increase capabilities to consider fish and wildlife habitat in decisionmaking. We anticipate expanded coal production and greater emphasis on strategic minerals development. In this regard, we will continue to aggressively investigate the impacts of acid rain on the environment. Efforts to streamline the permit review process will achieve additional savings in 1983.

ANILCA

As required by Alaska lands legislation, development of comprehensive plans for Alaska refuges is on schedule with five plans to be completed by December 1983. To facilitate planning and land management activities, as well as conduct special studies required by the legislation, an increase of $2.1 million is requested. Of this amount, $409,000 will be utilized for analysis of baseline fish resource data required to complete comprehensive refuge plans within the statutory timeframe.

FIRE SUPPLEMENTAL

Also included in the 1983 budget request is a supplemental to strengthen the Service's fire management program to assure the future safety of visitors and refuge personnel. This provides $1.8 million and 20 staff years for fire management needs—replacement equipment, training for refuge personnel, and operations—for the 13,000,000 acres of the National Wildlife Refuge System, excluding Alaska. The Service's fire management policy was updated in September 1981, and a new administrative account will permit refuge managers the flexibility essential in meeting emergency fire needs. The Service will request additional supplemental funding as required to recover emergency fire costs.

ANIMAL DAMAGE CONTROL

The Service remains committed to operate a responsive, professional animal damage control program. In carrying out our mission of conserving wildlife and wildlife habitats, we are prepared to act when wildlife excessively damages society's other interests. Our recently revised ADC policy provides the framework to do this. Operational improvements include: (1) the use of gas cartridges for denning of young coyotes to control or prevent livestock losses, and (2) a recommendation to EPA to modify existing restrictions on M-44 use.

CLOSURES

Increases in the 1983 budget are partially offset by reductions in lower priority activities and efforts to reduce federal involvement in state matters. In order to effect the anticipated savings detailed in our budget, it will be necessary to phase out operation in FY 1982 of stations scheduled for closure in FY 1983. However, the Service will expend all funds provided in FY 1982 for the purposes for which they were appropriated.

The 1983 budget assumes the transfer or closure of 102 Fish and Wildlife Service facilities. Of this total, 31 national hatcheries producing non-anadromous warmwater fishes used to assist states in the management of state owned and managed waters are scheduled for closure. Identification of hatcheries recommended for closure were based on two general criteria.

(1) In terms of overall federal responsibility, the highest priority for assistance in management of the Nation's fisheries was accorded to anadromous and Great Lakes fisheries, Indian reservations, and mitigation. Hatcheries that did not contribute primarily to these management purposes were considered lower priority and recommended for closure.

(2) In addition, condition of facilities and other efficiency factors such as water supply and unit costs of production, were considered in ranking the hatcheries identified by the first criteria.

Several states have expressed some interest in assuming operation of these hatcheries proposed for closure.

We will also limit research efforts to areas of high federal concern; placing a greater reliance on states to assume responsibilities of a local nature. To this end, the Service is recommending termination of the Service's reservoir research program affecting the closure of four research stations. Benefits of reservoir research activities generally accrue directly to state fish and wildlife agencies. If these projects are of a high priority locally, states may wish to consider continued funding through the PR-DJ programs.

The Service's budget request also includes reductions for technical assistance in the areas of fishery resources, coal operations, and minerals development. Mr. Chairman, as you have indicated previously, federal land managing agencies should consider fish and wildlife values along with other land values and acquire essential technical assistance on a reimbursable basis. For this reason fishery technical assistance operations will be terminated at 12 stations. The Bureau of Indian Affairs has requested funds to continue operations at three fishery assistance stations--Gallup, New Mexico; Ashland, Wisconsin; and Pinetop, Arizona, and one fish hatchery--Williams Creek, Arizona. If this funding is provided, the Service will continue to provide technical assistance on a reimbursable basis.

In addition, we are recommending the closure of two research facilities--Madison National Wildlife Health Laboratory, Wisconsin, and the Warm Springs fish control and drug registration station in Georgia, and three mammal damage control research substations--Hilo, Hawaii; Bend, Oregon; and Olympia, Washington--principally because research projects conducted are of low priority.

The 1983 budget does not include a request for funding of the cooperative research units. The unit program was originally set up to assist universities in developing research and graduate training in matters related to fish and wildlife resources. Graduate training in fish and wildlife biology is now available in many universities. States have increased their support of the universitie's programs. The need for Service support to the unit program is less essential. Closure of 50 units is planned for October 1, 1982. Discontinuing Service funding is consistent with the Administration's thrust for increased reliance on the states to assume responsibilities in this area.

Our land acquisition program for 1983 includes $1.5 million for 600 acres of critical habitat for the endangered American crocodile and Kirtland's warbler. An additional 30,300 acres of migratory waterfowl habitat located in the Prairie Pothole Region will be available from the sale of duck stamps.

Mr. Chairman, this concludes my prepared remarks. I will be pleased to answer any questions the Committee may have.

FISH HATCHERY INCREASE

Senator McCLURE. Are there any particular points that you feel necessary to point out at this time before we proceed with questions?

Mr. JANTZEN. Mr. Chairman, the Secretary's opening statement and the previous questions cover the major points I wanted to discuss in my statement. So if it pleases the Chair, I would just go ahead and try to field your questions.

Senator McCLURE. That would be fine. Your statement does, of course, contain a number of details in addition to the answers to questions that have already been asked.

I think it's fair to completely balance the picture regarding hatchery-related proposals in 1983 to note that on page 145 you are proposing an increase of $1,400,000 for cyclical maintenance at 35 of the remaining hatcheries. Will there be an increase in production possible from these hatcheries as a result of these cyclical maintenance increases?

Mr. JANTZEN. Mr. Chairman, that is partially the purpose of the cyclical maintenances, to rehabilitate those production facilities so we can increase production of the remaining hatcheries. Mr. Buterbaugh has some details.

Senator McClure. I'd like to relate it to both numbers and species and distribution, whether those increases in production will offset the loss of production from the fish hatchery closures.

Mr. Buterbaugh. No, Mr. Chairman; they will not completely offset the reduction. Much of the cyclical maintenance funding will be used on facilities that will not directly result in an increase of production. A percentage will, but it is not the majority of the funding. So I could not say we can offset a large part of it with that cyclical maintenance funding.

REFUGE O. & M.

Senator McClure. There is another increase proposed, that being the increase in refuge operation and maintenance funding. That appears on pages 66 and 90 of your justification. That increase is in two parts and totals $7,504,000, which will be distributed to about 200 wildlife refuges and to 9 wetland management districts.

I understand that that is analogous to the National Park Service's park restoration and improvement program, in that it will be used to provide additional operation and maintenance funding to refuges that may not have had adequate maintenance budgets in prior years. The difference, however, is the Park Service had their request backed up by a GAO review that substantiated the need, and that review focuses on health and safety, didn't just focus on the need for routine O. & M. unrelated to the health and safety of the employees and the visitors.

Do you have an independent source of corroboration for the need for this catch-up on O. & M.?

Mr. Jantzen. Mr. Chairman, I would like Mr. Gilmore to respond to that. We have done an analysis of refuge maintenance requirements.

Senator McClure. I'm sure you have, but I'm wondering if there is an independent corroboration, independent of your own activities.

Mr. Gilmore. No, sir; we do not have an independent corroboration right now.

Senator McClure. Whatever other comments you'd like to make I'd welcome at this time.

Mr. Gilmore. I think I have none at this time to that specific question.

Senator McClure. Is it routine O. & M. that is not safety related? If I understand correctly, a large part of it is simply getting buildings and facilities back up to a better status than they are, and not necessarily safety of the premises so there is no danger to the personnel or to the public if this routine O. & M. is not done now; is that correct?

MAINTENANCE REQUIREMENTS

Mr. Gilmore. If I might, I'd like to make a statement in regard to what O. & M. really is, and I'll try to display it as graphically as I can.

If we were to enter onto Minidoka Refuge in Idaho, as you come through the front gate there are maintenance needs at the front gate. There's a need for new fences and a boundary sign. As you travel down that whole piece of pavement to the buildings, it's full of chuckholes.

Senator McClure. I was going to say it's not much of a pavement.

Mr. Gilmore. It's full of chuckholes, and as you know, the ancient buildings need constant repair. And each one of these things I'm mentioning are in fact the kinds of things we include in the maintenance.

Senator McClure. Why is there a need for an increase in that this year?

Mr. Gilmore. Over the past 10 years, from experience we have not been able to maintain those facilities every year. The chuckholes in the road are there because we didn't have enough money to fix them last year. So empirical knowledge is teaching us that we need more funds on an annual basis to maintain these facilities.

Senator McClure. How far behind are you? Have you made a study that indicates how many dollars you are behind and how many dollars it would take to catch up?

Mr. Gilmore. Yes, sir; we have made a study, and based on how we should maintain facilities as I recall the figures it's about $45 million in addition to what we have right now, to maintain the stations in top-notch condition. Even though we have identified the $45 million, I really don't think it would be practical for anybody to expect that they are going to maintain facilities at this high-polished level. You are always going to have some work that's not going to get done. Nobody can afford to keep even their car in the high-polished state they would like to keep it.

REALISTIC O. & M. FUNDING

Senator McClure. All right, let's take some other practical level, one that you'd be proud to have but somewhat less than that high state. How many dollars would it take us to get back to that practical level?

Mr. Gilmore. This would be my opinion.

Senator McClure. Yes.

Mr. Gilmore. My opinion is that in addition to the fund we are requesting the Service would probably need about another $10 million to really have all the things repaired that we think need to be repaired.

Senator McClure. So you have identified somewhat less than $20 million of catch-up money.

Mr. Gilmore. Yes, sir. The reason is that, over time, we need to increase this amount within a reasonable approach. It would be very difficult to ask for that much money right now and be able to go out there and do a first-class job.

Senator McClure. I understand that. And the way I got to that somewhat less than $20 million is you have asked for somewhat over $7 million of additional money in this budget request, and you have said another $10 million in addition to that, in addition to the routine maintenance money that you have been able to keep in the program over several years, would get you back to a satisfactory state.

Mr. Gilmore. Yes, sir; I would call it satisfactory, and not the shining example.

SAFETY-RELATED NEEDS

Senator McClure. I appreciate that. We are going to try to accommodate that need. As you know, we have a very, very tight budget, and we are going to have to look at things very carefully. I am not suggesting you fall behind that maintenance schedule. On the other hand, we might stretch it out over 3 or 4 years instead of over 1 or 2 years. That is an option which I would assume you can do, without danger to the employees, danger to the public, or irreparable damage to the facilities.

Mr. Gilmore. Yes, sir; it must be understood that the safety problems that exist on a field station are handled on a day-to-day basis. Those people have a safety meeting on the station once a month. And the maintenance we are talking about, the highest priority for maintenance, routine maintenance, may indeed be the chuckhole that might cause somebody to veer off the road and get into trouble, or it could be a fence around a pump structure and somebody might have some children who might walk up to this pump structure and fall in.

Senator McClure. Have you identified those separately?

Mr. Gilmore. No, sir; they are not identified separately. When you look through the specifies of what we have said we want to do on individual refuges, there are things you can pick up rather readily that would be safety related and not necessarily a safety problem on that station but safety related.

Senator McClure. I would hope that if there are safety needs for the health and safety of the employees or the public that have legitimate rights and uses of those facilities, that those safety- and health-related needs could be identified separately so that we make sure we meet those needs first. I assume that is being done.

Mr. Gilmore. Yes, sir.

Senator McClure. But apparently we only have the kind of generalized assurance that indeed intelligent people would use their money in that way.

We do want to make certain that we do not have hazards to either the people that work on these sites or the public that visits, and we don't want to have to defer maintenance that causes irreparable damage or that in essence is penny-wise and pound-foolish.

Mr. Gilmore. Yes, sir, we wholeheartedly agree, and that is our first priority for any maintenance work. It is a safety situation, but as the chairman will understand, the safety hazards that we face today we fix today, and some of these safety hazards that may be around 2 years from now may not even be visible right now. We think we have all our safety hazards covered in this request.

[The information follows:]

Refuge Operations and Maintenance Funding

The following is a complete list of all Operations and Maintenance increases by State by refuge. Facility deficiences have been categorized according to (a) Health and Safety, (b) Resource Threat, and (c) Other:

Alabama

Bon Secour NWR (a,b,c) $20K (MB) = $20K
Start up costs associated with newly established refuge

Choctaw NWR (a,b,c) $7K (MB); $3K (I&R) = $10K
Offset increased energy and operating costs

Eufaula NWR (b) $14K (MB); $5K (I&R) = $19K
Maintaining water management facilities

Wheeler NWR (a,b,c) $31K (MB); $2K (MNB);= $53K
$20K (I&R)
Start-up costs of three newly established substations

Alaska

Alaska Maritime NWR (b,c) $423K (MB); $60K(MNB)= $484K
$1K (I&R)
Increase basic resource inventory work for Comprehensive Conservation Plans
Monitor activities on and around St. Matthew Island and Navarin Basin

Alaska Peninsula NWR (b) $5K(MNB); $37K(MNB) =$42K
Support Bristol Bay Studies and comprehensive planning

Artic NWR (b,c) $161K (MB); $6K (MNB) =$168K
$1K (I&R)
Monitor impacts of oil and gas exploration on North Slope
Carry out associated studies

Becharof NWR (a,b,c) $4K (MB); $3K(MNB) =$7K
Offset increased energy and operating costs in maintaing health and safety standards, reducing resource threats and preparing for public use needs

Innoko NWR (a,b,c) $5K (MB); $2K (MNB) =$7K
Offset increased energy and operating cost in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Alaska (con't)

Izembek NWR (a,b,c) $9K (MB); $2K (MNB) = $13K
$2K (I&R)
Offset increased energy and operating costs in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Kenai NWR (b) $206K (MB); $82K (MNB)=$315K
$27K (I&R)
Complete and implement Comprehensive Conservation Plan

Kodiak NWR (b) $106K (MB); $61K (MNB)=$168K
$1K (I&R)
Administer §22G on native inholdings on refuge
Increase resource data gathering for Comprehensive Conservation Planning

Koyukuk NWR (a,b,c) $4K (MB); $1K (MNB) = $5K
Offset increased energy and operating costs in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Nowitna NWR (a,b,c) $3K (MB); $2K (MNB) = $5K
Offset increased energy and operating costs in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Selawik NWR (a,b,c) $5K (MB);$4K (MNB) = $9K
Offset increased energy and operating costs in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Tetlin NWR (a,b,c) $7K (MB); $2K (MNB); = $10K
$1K (I&R)
Offset increased energy and operating costs in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Togiak NWR (a,b,c) $4K (MB) = $4K
Offset increased energy and operating costs in maintaining health and safety standards, reducing resource threats and preparing for public use needs

Yukon Delta NWR (b) $323K (MB); $12K (MNB)=$338K
$3K (I&R)
Increase resource inventory work for Comprehensive Conservation Planning
Administer §22G requirements

Alaska (con't)

Yukon Flats NWR (b,c) $160K (MB);$3K (MNB) = $16K

- Conduct Hodzana River Wildlife resource and habitat evaluation and other resource inventory work in preparation for Comprehensive Conservation Planning
- Develop and implement spring subsistence harvest survey
- Begin boundary adjustment and inholding acquisition priority schedule project

Arizona

Cabeza Prieta NWR (b,c) $25K (MNB); $2K (I&R) = $27K

- Maintain headquarters building, improve desert bighorn censusing capabilities
- Replace interpretive signs and displays

Cibola NWR (b,c) $35K (MB); $1K (I&R) = $36K

- Maintain headquarters building, water control structures and facilities
- Improve public use structures, displays

Havasu NWR (a,b) $31K (MB); $10K (I&R) = $41K

- Maintain buildings, heavy equipment, water control structures
- Improve public use access, sanitation facilities, signs

Imperial NWR (a,b) $20K (MB); $3K (I&R) = $23K

- Maintain water management facilities
- Maintain public use facilities

Kofa NWR (b,c) $109K (MNB); $3K (I&R)=$112K

- Repair and maintain water facilities, rock tables, and catchment basins for desert wildlife
- Repair and maintain other facilities, buildings
- Provide protection to habitat from illegal uses and feral burros

Arkansas

Big Lake NWR (a,b,c) $7K (MB); $3K (I&R) = $10K

- Offset increased energy and operating costs

Felsenthal NWR (a,b) $35K (MB); $2K (MNB) = $39K
$2K (I&R)

- Maintain fire management, habitat management visitor access facilities and equipment

Holla Bend NWR (a,b,c) $6K (MB); $5K (I&R) = $11K

- Offset increased energy and operating costs

Arkansas (con't)

Overflow NWR (a,b,c) $20K (MB) = $20K
Base funding to cover start-up costs of newly authorized refuge

Wapanocca NWR (b,c) $18K (MB); $2K (I&R) = $20K
Maintain water management facilities and headquarters building

White River NWR (c) $50K (MB); $17K (MNB); $10K (I&R) = $77K
Operation and maintenance of farm sub unit headquarters, public access roads and service roads, dikes

California

Kern NWR (b) $6K (MB); $1K (I&R) = $7K
Improve water management facilities and equipment

Klamath Basin NWR (c) $107K (MB); $11K (I&R) = $118K
Improve access road and public use tour routes
Improve water management facilities
Provide temporary office space during Headquarters construction project

Sacramento NWR (b,c) $215K (MB); $15K (I&R) = $203K
Improve biological monitoring; marsh rehabilitation and maintenance of ditches
Maintain public use tour routes and access roads
Update public information leaflets

Salton Sea NWR (c) $18K (MB); $1K (I&R) = $19K
Offset increased energy costs
Maintain equipment and water management structures

San Francisco NWR (b) $32K (MB) = $32K
Increase biological nonitoring of endangered species, migratory birds, salt pond ecology and costal wildlife

San Luis NWR (b,c) $161K (MB); $11K (I&R) = $172K
Rehabilitate and improve water control structures
Maintenance of access roads
Increase biological monitoring efforts

Colorado

Alamosa/Monte Vista NWR (b,c) $42K (MB); $3K (I&R) = $45K
Rehabilitate and maintain fencing
Offset increased energy costs
Upgrade public exhibits

Colorado (con't)

Arapaho NWR (c) $5K (MB); $1K (I&R) = $6K
Offset increased energy and operating costs
Upgrade public information leaflets

Browns Park NWR (c) $3K (MB); $1K (I&R) = $4K
Offset increased energy costs
Upgrade public information exhibits

Delaware

Bombay Hook NWR (b,c) $37K (MB); $9K (I&R) = $46K
Maintain roads and parking area, new headquarters facility
Rehabilitate water control structures
Purchase and maintain public use facilities and structures

Prime Hook NWR (b) $13K (MB) = $13K
Maintain roads, equipment, signs and parking areas, waterfowl traps and nesting structures

Florida

Hobe Sound NWR (c) $1K (MB); $4K (I&R) = $5K
Maintain parking areas for public use

J.N. "Ding" Darling NWR (b,c) $13K (MB); $1K (MNB) = $23K
$9K (I&R)
Operation and maintenance for new office, maintenance shop and visitor contact station
Maintain water control structures
Brazilian pepper bush control program

Lake Woodruff NWR (b) $7K (MB); $1K (MNB); = $10K
$2K (I&R)
Maintain water impoundment structures

Lower Suwannee River NWR (a,b,c) $7K (MB): $4K (I&R)=$11K
Offset increased energy and operating costs

Loxahatchee NWR (b,c) $40K(MB); $21K (I&R) = $61K
Construction of extensive dike and water control structures, exhibit for new facility
Operation and maintenance for new service and public use facilities

Merritt Island NWR (a,c) $35K (MB); $3K(MNB); = $51K
$13K (I&R)
Operation and maintenance of fire management/fire control programs, mainteance shop
Increased maintenance of visitor routes

Florida (con't)

National Key Deer NWR (c) $1K (MB); $2K (I&R) = $3K
Oversight on new project area

Pelican Island NWR (c) $2K (I&R) = $2K
Offset operating costs increase on public information project

St. Marks NWR (b,c) $41K (MB); $21K (MNB) = $71K
$9K (I&R)
Maintenance of rehabilitated and new dike and water control structures, offices, maintenance center and public use facilities

St. Vincent NWR ( ) $3K (MB); $3K (MNB) = $9K
$3K (I&R)
Offset increased O&M costs

Georgia

Okefenokee NWR (a,b) $35K (MB); $7K (MNB) = $84K
$42K (I&R)
Operate and maintain service and public use facilities fire equipment, historic structures, new Suwannee Sill structure

Piedmont NWR (a,b) $28K (MB); $28K (MNB);= $64K
$8K (I&R)
Operate and maintain offices, visitor contact stations and maintenance centers
Rehabilitate and maintain roads

Savannah Complex (a,b,c) $64K (MB); $2K (MNB); = $77K
$11K (I&R)
Maintain water control structures, dikes, docking facilities roads, and maintenance shop
Rehabilitate Laurel Hill Dr.
Acquire or update public inforamtion signs

Hawaii

Hawaiian Islands NWR (b) $47K (MB); $1K (I&R) = $48K
Maintenance of remote island facilities
Improve biological monitoring capabilities at outlying islands (Rose Atoll, Howland Island, Jarvis Island)

Idaho

Bear Lake NWR (b) $8K (MB); $1K (I&R) = $9K
Improve and maintain water control structures and other water management structures

Idaho (con't)

Camas NWR (c) $15K (MB); $1K (I&R) = $16K
Offset increased energy costs
Maintain facilities and equipment

Deer Flat NWR (b,c) $10K (MB); $10K (I&R) = $20K
Improve wildlife habitat
Upgrade public use facilities

Grays Lake NWR (a,c) $10K (MB); $1K (I&R) = $11K
Maintain facilities and equipment in safe operating condition
Update public information leaflets

Kootenai NWR (a,c) $6K (MB); $2K (I&R) = $8K
Maintain facilities and equipment
Update public information leaflets

Minidoka NWR (a,c) $6K (MB); $1K (I&R) = $7K
Maintain facilities and equipment
Update public information leaflets

Illinois

Chatauqua NWR (a) $11K (MB); $1K (I&R) = $12K
Construct and maintain emergency spillway, riprap

Crab Orchard NWR (a,c) $40K (MB); $58K (MNB);=$133K
$35K (I&R)
Conduct cyclical and annual maintenance on dams for safety purposes
Improve public use facilities
Operate and maintain headquarters building

Mark Twain NWR (a,b) $43K (MB); $1K (MNB); = $59K
$15K (I&R)
Operate and maintain levees, headquarters building and three District offices

Mark Twain NWR, Brussels District (c) $4K (I&R) = $4K
Maintain public use facilities

Upper Mississippi NWR (c) $3K (MB); $1K (I&R) = $4K
Improve and maintain public use facilities and programs

Indiana

Muscatatuck NWR (b) $22K (MB) = $22K
Maintain impoundments and water control structures

Iowa

Desoto NWR (b,c) Maintain habitat management projects O&M of public use facilities	$75K (MB); $21K (I&R)	= $96K
Union Slough NWR (b,c) Maintain shop and storage facilities and water management facilities	$9K (MB); $2K (I&R)	= $11K
Mark Twain NWR (b,c) Maintain water management facilities and public use facilities	$9K (MB); $7K (I&R)	= $16K
Upper Mississippi NWR (c) Maintain public use facilities and program	$1K (I&R)	= $1K

Kansas

Flint Hills NWR (c) Constructing public use facilities, information signs, boundary fencing	$4K (MB); $19K (I&R)	= $23K
Kirwin NWR (b,c) Upgrade fire suppression equipment Maintain public use areas	$5K (MB); $2K (I&R)	= $7K
Quivira NWR (b) Maintain fences, noxious weed control	$20K (MB); $1K (I&R)	= $21K

Louisiana

Bogue Chitto NWR (a,b,c) Base funding to start-up newly authorized refuge	$20K (MB)	= $20K
Catahoula NWR (b) Maintain water management facilities	$15K (MB); $2K (MNB); $2K (I&R)	= $19K
D'Arbonne NWR (b,c) Maintain roads, public access, forest management practices	$20K (MB); $3K (I&R)	= $23K
Lacassine NWR (b) Maintain water management structures	$20K (MB); $2K (I&R)	= $22K
Sabine NWR (b,c) Operate water control structures associated with SCS's flood/saltwater intrusion project Maintain canals, levees, new weirs Acquire public information signs	$60K (MB); $2K (I&R)	= $62K

Louisiana (con't)

Upper Ouachita ( ) Offset increased O&M costs	$5K (MB); $2K (MNB); $1K (I&R)	= $8K

Maine

Maine Coastal Islands (b) Boundary posting and information signs	$20K (MB)	= $20K
Moosehorn NWR (b,c) Rehabilitate shop facilities, office Maintain roads, culverts, public use area	$33K (MB); $1K (MNB) $1K (I&R)	= $35K

Maryland

Blackwater NWR (b,c) Maintan waterfowl and marsh habitat, protect shoreline Maintain fire lanes, access roads, public use facilities Convert buildings with energy efficient materials	$64K (MB); $1K (MNB); $6K (I&R)	= $71K
Eastern Neck NWR (b,c) Rehabilitate road system Purchase materials for wildlife habitat enhancement	$18K (MB); $1K (MNB); $5K (I&R)	= $24K
Martin NWR (c) Acquisition of supplies to maintain equipment and facilities Rehabilitate heating system, storage facility, and Tyler House interior	$11K (MB)	= $11K

Massachusetts

Great Meadows NWR (b,c) Maintain facilities, equipment, roads Maintain water chestnut control Update leaflets, interpretive signs	$18K (MB); $4K(I&R)	= $22K
Parker River NWR (b,c) Rehabilitate roads, cross dike structures Maintain public use areas, public information leaflets	$49K (MB); $10K (I&R)	= $59K

Michigan

Seney NWR (b,c) Improve and maintain water management	$16K (MB); $1K (MNB); $2K (I&R)	= $19K

Michigan (con't)

Seney NWR (con't)
facilities and equipment
Improve and maintain public use routes and trails

Shiawassee NWR (b,c) $38K (MB); $18K (I&R) = $56K
Maintain rehabilitated dikes to protect habitat
Maintain public use and service facilities

Minnesota

Agassiz NWR (b,c) $12K (MB); $1K (MNB); $1K (I&R) = $14K
Maintain water management facilities
Maintain service facilities and equipment

Big Stone NWR (b) $6K (MB); $1K (I&R) = $7K
Maintain equipment, fences and roads

Minnesota Wetlands Complex (b,c) $16K (MB);$25K(MNB)=$41K
Maintain noxious weed control program
Maintain facilities

Mid-Continent (c) $4K (MB) = $4K
Maintain facilities

Minnesota Valley NWR (c) $2K (MB); $1K (MNB); $7K (I&R) = $10K
Maintain equipment and service facilities
Improve public use facilites and programs

Rice Lake NWR (c) $6K (MB); $1K (MNB); $1K (I&R) = $8K
Maintain existing service and public use facilities

Sherburne NWR (b) $77K (MB); $1K (MNB); $4K (I&R) = $82K
Maintain water control structures

Tamarac NWR (c) $8K (MB); $2K (MNB); $1K (I&R) = $11K
Maintain office/visitor center facility
Maintain service facilities and equipment

Upper Mississippi NWR (b,c) $85K (MB); $25K (MNB); $19K (I&R) =$129K
Upgrade and maintain service facilities and equpment
Upgrade and maintain habitat
Improve and maintain boundaries

Minnesota (con't)

Detroit Lakes WMD (b) $22K (MB)
Improve and maintain nesting cover and habitat = $22K
Maintain fences, parking lot, water control structures

Fergus Falls WMD (b) $27K (MB)
Maintain nesting habitat, fencing and water control structures = $27K

Litchfield WMD (b) $23K (MB)
Maintain nesting habitat, fencing and water management structures = $23K

Morris WMD (b,c) $29K (MB); $3K (I&R) = $32K
Maintain nesting habitat, fencing, water management structures and parking lot

Mississippi

Hillside NWR (a,b,c)
Offset increased O&M costs $2K (MNB): $2K (I&R) =$4K

Matthews Brake NWR(a,b,c) $20K (MB)
Base funding to start-up newly authorized refuge = $20K

Mississippi Sandhill Crane NWR (a,b,c) $10K (MB) = $10K
Offset increased O&M costs

Noxubee NWR (a,b) $30K (MB); $21K (MNB) = $59K
$8K (I&R)
Operation and maintenance of levees, water control structures, maintenance center, roads, fire management projects
Increase public hunting and visitor information system

Panter Swamp NWR (a,b,c)
Offset increased O&M costs $3K (MNB); $3K (I&R) = $6K

Yazoo NWR (a,b,c)
Offset increased O&M costs $8K (MB); $2K (I&R) = $10K

Missouri

Mark Twain NWR, Clarence Cannon (b) $39K (MB); = $41K
$2K (I&R)
Maintain habitat, water control structures
Maintain service facilities, roads

Mingo NWR (c)
Maintain facilities and equipment, roads $13K (MB); $5K (I&R) = $18K
Maintain public use programs

Missouri (con't)

Squaw Creek NWR (b,c)	$10K (MB); $2K (I&R) = $54K
Maintain water management facilities	
Maintain public use facilities	
Swan Lake NWR (b,c)	$53K (MB); $1K (I&R) = $54K
Maintain water management facilities	
Maintain office/public use facility	

Montana

Benton Lake NWR (b,c)	$22K (MB); $1K (I&R) = $23K
Rehabilitate habitat	
Offset increased operating costs	
Charles M. Russell NWR	$12K (MB); $116K (MNB)=$134K $6K (I&R)
Lee Metcalf NWR	$2K (MB); $2K (I&R) = $4K
Medicine Lake NWR (b,c)	$36K (MB); $1K (I&R) = $37K
Maintain habitat projects	
Maintain public tour routes and signs	
National Bison Range (c)	$2K (MB); $26K (MNB); = $33K $5K (I&R)
Rehabilitate gravel access roads	
Offset increased operating costs	
Upgrade public information signs, exhibits	
Red Rock Lakes NWR (b,c)	$14K (MB); $1K (I&R) = $15K
Offset increased operating costs	
Update information leaflets	
Continue wildlife mortality study	

Nebraska

Crescent Lake NWR (c)	$19K (MB); $1K (I&R) = $20K
Repair equipment, maintain roads, parking lot	
Improve wildlife censusing and habitat projects	
Improve public information signs	
Ft. Niobrara NWR (c)	$24K (MB); $20K (MNB);= $58K $14K (I&R)
Maintain service facilities, equipment	
Improve Corral & sale areana	
Replace Interpretive signs	
Rainwater Basin WMD (b)	$35K (MB); $1K (I&R) = $36K
Rehabilitate water management facilities	

Nevada

Desert NWR (c) Maintain facilities and equipment Upgrade public use facilities	$8K (MB); $5K (MNB); $3K (I&R)	= $16K
Ruby Lake NWR (b) Long-term monitoring - Ruby Marsh, grassland management program, and colonial nesting birds	$38K (MB); $2K (I&R)	= $40K
Sheldon-Hart Mtn. (c) Offset increased energy costs	$1K (MB)	= $1K
Stillwater NWR (b) Upgrade water delivery system	$30K (MB); $2K (I&R)	= $32K

New Jersey

Brigantine NWR (a,b,c) Construct, repair, and maintain roads, signs, dikes, bridges, and other refuge structures Rehabilitate public use facilities, tour routes, photo blinds	$53K (MB); $12K (I&R)	=$65K
Great Swamp NWR (b,c) Maintain boundary signs, posts, roads grasslands management, equipment Rehabilitate public use area	$6K (MB); $11K (MNB); $3K (I&R)	= $20K

New Mexico

Bitter Lake NWR (a,b) Repair and maintain service buildings Improve habitat management Maintain public access route and support equipment	$19K (MB); $5K (I&R)	= $24K
Bosque del Apache NWR (a,b,c) Repair and maintain water facilities, equipment facilities Maintain marsh habitat, control undersirable vegetation Maintain ability to census and monitor wildlife species Repair and maintain public use facilities, roads, signs	$71K (MB); $2K (MNB); $18K (I&R)	= $91K
Las Vegas NWR (a,b) Repair and maintain irrigation facilities, equipment, fences, roads and buildings Improve public hunting facilities, e.g., access routes, sanitary facilities	$20K (MB); $2K (I&R)	= $22K

Maxwell NWR (a,b) $8 K (MB); $1K (I&R) = $9K
Maintain service building
Maintain public use facilities

San Andres NWR (b) $8K (MNB) = $8K
Repair and maintain exterior fencing, boundary signs, access routes

Sevilleta NWR (a,b) $17K (MB); $4K (MNB); $1K (I&R) = $22K
Repair marsh management structures
Repair water catchment, and windmills to improve water sources
Repair access routes and provide public hunting leaflets

New York

Iroquois NWR (a,c) $58K (MB); $1K (MNB); $2K (I&R) = $61K
Maintain equipment, facilities, fencing, roads
Rehabilitate public use areas

Montezuma NWR (b,c) $79K (MB); $22K (I&R) = $91K
Rehabilitate and mainta water control structures, parking areas, buildings
Rehabilitate public use structures, facilities displays

Wertheim NWR (b,c) $29K (MB); $10K (I&R) = $39K
Provide security enclosures
Maintain habitat, buildings public use facilities, signs, displays

North Carolina

Mattmuskeet NWR (b) $75K (MB) = $75K
Maintain water management facilities
Enhance public use program

Pea Island NWR (c) $6K (MB); $8K (I&R) = $14K
Maintain water management facilities and service building

Pee Dee NWR (c) $6K (MB); $4K (I&R) = $10K
Offset increased O&M costs

Pungo NWR (c) $5K (MNB) = $5K
Offset increased costs

North Dakota

Arrowwood NWR (b,c) $75K (MB); $2K(I&R) = $77K
Repair, replace and maintain equipment and facilities
Improve management capabilities with censusing techniques, habitat manipulation, predator management study

North Dakota (con't)

Audubon NWR Maintain buildings, fences, equipment and facilities	$20K (MB)	= $20K
Des Lacs NWR (b,c) Acquire grasslands management equipment Complete office buildings construction Convert shop buildings to more energy efficient system Repair Sikes dam, fencing	$120K (MB); $1K (I&R)	=$121K
Devils Lake WMD (b,c) Maintain buildings, fencing, habitat Maintain public use routes, signs	$5K (MB);$2K (MNB); $2K (I&R)	= $9K
J. Clark Salyer NWR (b) Conform weed control program to State Laws Construct water control sturctures, improve habitat	$52K (MB); $1K (I&R)	= $53K
Kulm WMD (b) Maintain habitat management projects, buildings, fencing	$11K (MB)	= $11K
Tewaukon NWR (b,c) Maintain habitat management projects Upgrade signs, leaflets	$7K (MB); $1K (I&R)	= $8K
Upper Souris NWR (c) Maintain buildings, fences Upgrade public information displays	$7K (MB); $3K (I&R)	= $10K

Ohio

Ottawa NWR (b) Maintain dikes and other water control structures	$26K (MB); $4K (I&R)	= $30K

Oklahoma

Optima NWR (b) Repair & maintain boundary posting and sings Maintain public use access routes	$2K (MB); $1K (MNB); $2K (I&R)	= $5K
Salt Plains NWR (a,b) Maintain water management facilites, equipment Repair and maintain public access routes, facilities	$22K (MB); $4K (I&R)	= $26K

Oklahoma (con't)

Sequoyah NWR (b,c) $16K (MB); $5K (I&R) = $21K
- Maintain service facilities, roads, equipment
- Maintain public access routes, facilities

Tishomingo NWR (b,c) $43K (MB); $5K (I&R) = $48K
- Repair roads, water management facilities damaged by 10/81 floods
- Maintain public access routes, facilities

Washita NWR (b,c) $30K (MB); $4K (I&R) = $34K
- Maintain buildings, fences
- Establish shelter belts to prevent eroison problems
- Improve public use facilities and access

Wichita Mountains NWR (b,c) $15K (MB); $46K (MNB) =$111K
$50K (I&R)
- Maintain public camping and interpretive facilities
- Repair public access roads

Oregon

Malheur NWR (b,c) $48K (MB); $9K (I&R) = $57K
- Upgrade water control structures
- Improve data collection capabilites
- Develop informational pamphlets

Sheldon-Hart Mountain (b) $66K (MNB); $9K (I&R) = $75K
- Monitor Sheldon Coordinated Resource Management Plans on vegetation treatment impact

Umatilla NWR (b) $27K (MB); $17K (I&R) = $42K
- Provide capability to administer waterfowl hunting program on Umatilla Refuge and hunting and fishing programs on satellite stations at McKay and Cold Springs

William L. Finley NWR (b) $25K (MB); $17K (I&R) = $42K
- Maintain complex facilities
- Monitor nesting sea birds
- Administer hunting and wildlife observation programs

Pennsylvania

Erie NWR (b,c) $24K (MB); $1K (I&R) = $26K
- Upgrade and maintain roads, water control structures
- Print refuge leaflets
- Grasslands management projects

Pennsylvania (con't)

Tinicum NEC (a,c)	$21K (MB); $16K (I&R)	= $37K
Gravel and maintain roads, construct parking lot		
Sanitary hookup for Visitor's Center		
Construct parking lot for public use		

Rhode Island

Ninigret NWR (c)	$23K (MB); $20K (I&R)	= $43K
Rehabilitate roads, gates, fences, parking areas		
Maintain trails, boundary signs, entrance roads		

South Carolina

Cape Romain NWR (b,c)	$21K (MB); $9K (I&R)	= $30K
Maintain water management facilities, offices and public use facilities		
Carolina Sandhills NWR (c)	$6K (MNB); $1K (I&R)	= $7K
Offset increased O&M costs		
Santee NWR (b,c)	$25K (MB); $8K (I&R)	= $33K
Maintain water management facilities, offices and public use facilities		

South Dakota

Lacreek NWR (b)	$19K (MB); $1K (I&R)	= $20K
Improve grassland habitat		
Rehabilitate water control structures		
Lake Andes NWR (b)	$9K (MB); $1K (MNB); $1K (I&R)	= $11K
Maintain fencing, noxious weed control		
Maintain easement protection		
Madison WMD (b)	$8K (MB); $1K (I&R)	= $9K
Install new fencing and rehabilitate existing fencing		
Sand Lake NWR (a,b,c)	$51K (MB); $14K (I&R)	=$65K
Maintain nesting habitat fencing, water management structures, noxious weed control		
Rehabilitate roads for public use		
Improve public use safety programs		
Waubay NWR (b,c)	$38K (MB); $1K (I&R)	= $39K
Improve and maintain fencing, noxious weed control, water control structures		

Tennessee

Cross Creeks NWR (c) Offset increased O&M costs	$5K (MB); $5K (I&R)	= $10K
Hatchie NWR (b,c) Maintain water management facilities, public access ramps Conduct baseline inventories for new station	$40K (MB)	= $40K
Reelfoot NWR (c) Maintain roads, service facilities, waterfowl population studies	$15K (MB); $5K (MNB); $1K (I&R)	= $21K
Tennessee NWR (b,c) Maintain roads, visitor access Protect cultural resources	$33K (MB)	= $33K

Texas

Anahuac NWR (a,b,c) Improve marsh ahbitat, reduce wildlife hazards Improve cooperative farming capabilities Repair and maintain roads, equipment, facilities Improve public hunting facilities	$91K (MB); $6K (I&R)	= $97K
Aransas NWR (a,b,c) Repair headquarters building and quarters Improve marsh habitat and reduce wildlife hazards Repair and maintain fencing, interpretive facilities, signs, roads, and public hunting facilities	$58K (MB); $1K (MNB); $20K (I&R)	= $78K
Attwater Prairie Chicken (a,b,c) Improve upland habitat, reduce wildfire hazard Repair and maintain fencing, tour roads Improve interpretive materials and visitor safety	$16K (MB); $6K (I&R)	= $22K
Brazoria NWR (b,c) Maintain water management facilities and public access routes	$4K (MB); $3K (I&R)	= $7K
Buffalo Lake NWR (b) Repair boundary fencing	$2K (MB)	= $2K
Hagerman NWR (a,b) Rehabilitate water control structures damaged by floods Improve public hunting facilities, brochures	$30K (MB); $3K (I&R)	= $33K

Texas (con't)

Laguna Atascosa NWR (a,b) Repair fencing, improve habitat and reduce wildfire hazard Repair and maintain water management facilities, headquarters building, tour roads, public use facilities and signs	$78K (MB); $7K (I&R) = $85K
Mc Faddin NWR (b,c) Repair fencing Improve public use facilities and access	$6K (MB); $3K (I&R) = $9K
Muleshoe NWR (a,b) Improve upland habitat, reduce wildfire hazard Improve public use facilities, access routes and interpretive materials	$13K (MB); $3K (I&R) = $16K
Rio Grande Valley NWR (b) Repair boundary fencing and posting	$2K (MB); $3K (I&R, = $2K
Santa Ana NWR (b,c) Repair and maintain water control structures Maintain buildings and facilities Repair wildlife censusing equipment Repair and maintain public use facilities	$38K (MB); $1K (MNB):= $47K $8K (I&R)
San Bernard NWR (a,b) Improve marsh habitat, reduce wildfire hazard Repair and maintain wildlife censusing equipment	$14K (MB); $1K (MNB);= $15K $11K (I&R)
Texas Point NWR (a,b) Improve marsh habitat, reduce wildfire hazard Repair and maintain fencing	$27K (MB); $1K (MNB);= $30K $2K (I&R)

Utah

Bear River MBR (b,c) Maintenance of habitat, roads, buildings Upgrade public displays	$51K (MB); $5K (I&R) = $56K
Fish Springs NWR (b,c) Offset increased operating costs Maintainhabitat Upgrade public use signs and leaflets	$5K (MB); $1K (I&R) = $6K

Utah (con't)

Ouray NWR (b) Improve water management structures	$7K (MB)	= $7K

Vermont

Missisquoi NWR Replace and maintain artificial nesting structures Maintain buildings, grounds, dikes	$33K (MB)	= $33K

Virginia

Back Bay NWR (b,c) Rehabilitate impoundments dikes, parking and maintenance areas Equipment parts purchases	$38K (MB); $6K (I&R)	= $44K
Chincoteague NWR (a,b,c) Rehabilitate and maintain roads, farm fields, launch ramps, and launch areas, waterfowl habitat, falcon habitat Rehabilitation of public use facilities, auditorium Update public information leaflets	$110 (MB); $2K (MNB); $37K (I&R)	=$149K
Great Dismal Swamp NWR (a,b,c) Purchase equipment to gauge and monitor surface and ground water Rehabilitate and maintain water management& fire management structures Purchase, repair and maintain fire protection equipment and supplies Acquire entrance, regulatory, and public information signs Rehabilitate public use of facilities	$30K (MB); $39K (MNB) $18K (I&R)	= $87K
MacKay Island NWR (b) Rehabilitate water impoundment dikes and water control structures Improve access routes	$24K (MB)	= $24K
Mason Neck NWR (a,b,) Maintain roads, public use facilities structures Upgrade interpretive displays Purchase supplies for grassland management project	$9k (MB); $5K (I&R)	= $14K

Virginia (con't)

Presquile NWR (a,c) $18K (MB); $26K (I&R)= $44K
- Construct protective bulkhead at public ferry slip
- Maintain dredging of slips
- Rehabilitate and maintain buildings, parking area
- Construct new public use facilities, signs, displays

Washington

Columbia NWR (a,b) $17k (MB); $4K (I&R) = $21K
- Maintain and improve public use facilities
- Maintain present water control structures

Little Pend Oreille [illegible]) $2K (MNB) = $2K
- Offset increased energy and maintenance costs

Lower Columbia River (b,c) $69K (MB); $8K (MNB);= $94K
$25K (I&R)
- Maintain water facilities at Ridgefield NWR
- Construct and develop interpretive facilities on Complex
- Maintain public hunting programs at Ridgefield and Willapa

McNary NWE (b,c) $10K (MB); $2K (I&R);= $21K
- Increased O&M funding for dikes and water controlstructures
- Revision of hunting and fishing leaflets

Nisqually NWR (a) $25K (MB); $4K (I&R) = $39K
- Maintaining public use facilities
- Update refuge leaflets

Turnbull NWR (b) $28K (MB); $4K (I&R) = $32K
- Operation and Maintenance on new and old pond sites
- Maintaining water control structures
- Updating refuge leaflets

Wisconsin

Upper Mississippi NWR (c) $1K (I&R) = $1K
- Maintain public use facilities and program

Haricon NWR (b,c) $17K (MB); $20K (I&R)= $37K
- Improve and maintain water control structures
- Maintain public access facilities and programs

Wisconsin (con't)

Necedah NWR (b) $7K (MB); $27K (MNB) = $35K
Upgrade fire suppression equipment
Improve and maintain dikes, roads

Trempelean NWR (b) $44K (MB) = $44K
Upgrade and maintain water management structures and facilities on newly acquired portion

Upper Mississippi NWR (c) $4K (MNB); $1K (I&R) = $5K
Maintain facilities, equipment
Maintain public use programs

The Operations and Maintenance funding increase will be divided among these three criteria as follows:

			($000)
a.	Health and Safety	14%	$1,028
b.	Resource Threat	54%	4,660
c.	Other	33%	2,761
		Total O&M increases	$8,629

MAINTENANCE VERSUS CONSTRUCTION

Senator McCLURE. You are requesting an increase of $392,000 for facility maintenance at the Northern Prairie Wildlife Research Center and the Woodworth, N. Dak., field station, and a $672,000 increase for facility maintenance at the Patuxent Wildlife Research Center. That is found on page 82 of the justification.

Why are increases of this size not budgeted under construction?

Mr. JANTZEN. Mr. Chairman, Dick Smith will provide the answer to that.

Mr. SMITH. It's because several individual projects have been lumped, but each item is less than $60,000. I can read off what the items are if you are interested. For instance, at Northern Prairie, part of the funding is for parking lots and road repairs, a fire exit in one of the buildings, a chemical storage room, a chemistry lab repair, experimental ponds and wells, replacement of maintenance equipment, equipment trailer, repair of a roof—that kind of thing. In total it would add up to $392,000. The same is true at other stations also.

Senator McCLURE. You used a figure there, you assume that each item is less than $60,000?

Mr. SMITH. That's right.

Senator McCLURE. Do I infer that that is the dollar limit that you use to distinguish between base funding for maintenance and one-time-only construction?

Mr. SMITH. That's right. You will see in the construction part an item for something in the neighborhood of $500,000 to correct a water supply problem at Patuxent. That's a one-item issue, too.

Senator McCLURE. I have your assurance then, do I, that in these two areas, the $392,000 that I mentioned, the North Prairie Wildlife Research Center and the Woodworth, N. Dak., field station, and also the Patuxent, that each of the items that is included within that lump sum is beneath that dollar limit?

Mr. SMITH. Yes, sir.

Mr. LEUPOLD. Mr. Chairman, the $60,000 limitation is a limitation initially developed by the Appropriations Committee several years ago.

Senator McCLURE. I understand that. I wanted to be sure you did. [Laughter.]

ANIMAL DAMAGE CONTROL BUDGET

Your animal damage control budget is proposed for a reduction of $1,951,000. That's down 13 percent. ADC operations are to be reduced in an effort to increase local contributions. The cost-sharing rate is currently running about 50–50. Why do we need to increase the local cost-sharing rate above 50–50?

Mr. JANTZEN. Mr. Chairman, traditionally there has been about a 30–70 cost sharing of Federal and cooperator funding of animal damage control operations in the West. However, the Federal share has risen to approximately 50 percent. The reduction will bring the Federal share more in line. We will increase use of fixed-wing aircraft. We do have some offsetting benefits available to us with the new carbon monoxide cartridge. We are also going to try to decrease administrative costs of the program. Mr. Gilmore may have some additional information.

Senator McClure. Isn't one of the principal reasons for the increase in the Federal share a result of Federal ban on these toxicants that greatly increase the cost of the program?

Mr. Jantzen. There's no question about that, the more labor intensive they are, the more costly it is.

Senator McClure. Mr. Gilmore, did you have something further you wanted to add?

Mr. Gilmore. No, sir; I think not right now.

1080 CERTIFICATION

Senator McClure. What is the current status of the compound 1080 certification and registration for use in the toxic collar?

Mr. Jantzen. Mr. Chairman, the hearings are going on today. Testimony is still being taken by the administrative law judge. After these hearings in Washington are completed, I believe that the hearing will go on the road. There will be hearings in Denver and in Texas. Tentative plans to hold hearings in Boise were canceled. There are just two locations in the West.

Mr. Gilmore. I believe that's correct.

Senator McClure. I don't mean to belabor the subject, but that has bothered me over the years. We have a very specific toxicant that is about as safe as any there is to use, so we ban it and substitute in its place a very broad-spectrum toxicant that is dangerous for everybody to use, and dangerous for a wide range of domestic and wildlife. I know from talking to your experts over the years that your experts don't disagree with what I say, and I suspect the 1080 ban came not from the professionals in the field but from the politicians in Washington.

I regret that. It probably also came from headlines in newspapers more than it did from any real damage in the field.

Sometime I hope we'll stop being so nutty and start being a little bit more practical in our application and a little less emotional—the same kind of thing that led us because of public furor and outcry to the congressional action on DES. After all of the hearings on DES, we could not use it in the one form in which it has never been proven to harm anybody, and we permit its use in the one form that has been proven to cause cancer in females.

I don't understand that kind of perversion of the decisionmaking process except in terms of the emotional outcries which sometimes overwhelm reason. There is certainly no better example of that than 1080. It is much misunderstood, much abused in the public's mind, and we end up with bad public policy that does a worse job and costs more money.

And I know from talking to the ADC people for the last several years that there is general agreement among the professionals on that point.

Am I not correct, Mr. Jantzen?

Mr. Jantzen. Mr. Chairman, you certainly are correct. I would like to point out that the President, at the request of the Department of the Interior, has rescinded Executive Order 11643.

Senator McClure. Yes.

Mr. Jantzen. That's a step in the right direction. I think our requests to EPA for certification for use of 1080, and removal of excessive use restrictions on M-44's are steps in the right direction.

Senator McClure. I thank you for that action, and you, of course, are correct. Those steps are steps in the right direction, but they are short steps in a process that has a lot of movement before it gets back to some kind of reasonable balance.

Mr. Jantzen. Yes.

Senator McClure. We had people that wanted to protect wildlife that were urging the use of strychnine and zinc phosphide in aboveground bait stations in rabbit infestation. The same people in the past have been completely unbalanced and unreasonable in respect to the use of 1080 which is far less dangerous than either of those substances.

And I think it should be noted for the record again, as it has to be always, that I don't know of any responsible body of opinion that urges that 1080 be generally available. I think almost everyone says it ought to be in the hands of professionals and used in a very careful and controlled manner. And that's all we have asked. I appreciate the direction that is being taken within the Department of the Interior today to try to institute the careful control and professional use of a substance that can be very beneficial to mankind and not unduly harmful to wildlife.

Mr. Jantzen. 1080 is a tool which, if used properly, can help in some of those situations without hurting people.

LOWER SNAKE RIVER FUNDING

Senator McClure. I agree with that statement.

Last year the Congress added funds for operation and maintenance of the new fish mitigation facilities constructed by the Corps of Engineers on the lower Snake River compensation plan. If construction and operational activities for the lower Snake continue as planned, will the Service have adequate operational funding in the 1983 budget?

Mr. Jantzen. Mr. Chairman, the 1983 budget includes the same level of funding as provided by Congress in the 1982 budget. The Corps of Engineers in their construction of the additional mitigation hatcheries, however, may bring more hatcheries on line without budgeting for the operation and maintenance funding necessary.

We are currently looking at an alternative funding mechanism for O. & M. mitigation costs associated with the Corps of Engineers structures picked up by the marketing agency. Presently we have the responsibility to budget for these costs.

Mr. Buterbaugh can perhaps give you additional information.

Senator McClure. I understand that under that proposal you talk about the developing agencies picking up the costs, but you'd still administer it?

Mr. Jantzen. Yes, sir, and the States, too. The State fish and wildlife agencies do receive funding from the Service for the operation of three hatcheries.

Senator McClure. There are three, I think, that are operated by the State at present under the present agreement, including one in each of the States of Idaho and Washington.

Mr. Jantzen. The one that we operate, Mr. Chairman, is at Hagerman in Idaho.

Senator McClure. McCall is operated by the State, I think, is it not?

Mr. Jantzen. By the State, yes.

Senator McClure. It is our understanding that the Service needs almost $1.4 million more in 1983 to provide for additional production, increased operational costs, and to initiate field evaluation studies. Is that correct?

Mr. Jantzen. Mr. Chairman, right now funding for the lower Snake River mitigation is $1.029 million. The need, as we estimated it in 1983 would be an additional $1.2 million.

Senator McClure. Well, if I understand your capability statement—and I will quote from it: "If construction and operational activities for the LSRCP proceeds as currently planned, total operation of funding needs in fiscal year 1983 will be approximately $2,434,000 or $1,347,000 more than the current funding of $1,087,000," which would imply to me that if you don't have the $1.347 million in addition, you will not be able to fully utilize all of those facilities.

Mr. Jantzen. Mr. Chairman, that is correct, as indicated in testimony presented by the Oregon Department of Fish and Wildlife.

Senator McClure. Well, that is proposed by the Oregon people, all right, but it is my understanding it was based upon your response.

I understand one of the dilemmas, and I think it may be understandable from one perspective but not supportable from another, that this money is pass-through money, money that you would not have; you'd simply pass it through to the other agencies.

Mr. Jantzen. That's right.

Senator McClure. And under those circumstances it might not have as high a priority in your funding request. But in terms of the impact out in the field as to whether or not the work actually gets done, the fish actually get reared and planted, it is a very essential part of the total program.

Mr. Jantzen. Mr. Chairman, on that particular point, we do attempt to work very closely with the States. I don't think we would have a difference of opinion—on the priority of this program.

NATIONAL AQUARIUM

Senator McClure. The 1982 conference report provided no funds for the operation of the National Aquarium and provided that the stock of the aquarium is to be distributed to aquariums following normal surplus property disposal procedures. Did the Fish and Wildlife Service do as directed?

Mr. Jantzen. Mr. Chairman, we were prepared on the 28th of February to close the doors and dispose of the stock and the equipment following GSA disposal procedures.

Before that happened, as I believe you are aware, the National Aquarium Society, a private group, did get funding, and sought a cooperative agreement with the Service to continue the operation of the aquarium for the public benefit with private funds. We did enter into that agreement. This private group did make arrangements with the GSA to continue operation of the aquarium. It was not necessary for the Service to close it down and dispose of the live specimens as well as the equipment.

Senator McCLURE. Well, I understand just the value of the specimens has been estimated at about $9,000. Do you have an estimate of the value of the equipment and property to remain at the National Aquarium?

Mr. JANTZEN. Mr. Chairman, I will have to ask Mr. Buterbaugh to respond to that question.

Mr. BUTERBAUGH. Mr. Chairman, our best estimate for the value of the equipment would be approximately $57,000. And you are correct on the estimate for the specimens, a little less than $9,000.

Senator McCLURE. What are the terms of the rental arrangement between the National Aquarium Society and the GSA?

Mr. BUTERBAUGH. We understand that there is no charge made by GSA for the National Aquarium Society to operate the aquarium.

Senator McCLURE. I guess it would be fair to say, then, that we have shifted the cost from your budget to GSA's budget?

Mr. BUTERBAUGH. I guess that would be true for the space rental costs. The operating costs are not now being paid by the Federal Government.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. There are a number of other questions which I will submit for the record and solicit your responses in writing for the record at the earliest possible time so we can consider those responses in connection with the budget request.

Thank you very much for your testimony this morning.

Mr. JANTZEN. Mr. Chairman, thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Hatchery Closures

Question: Mr. Arnett, we would like to support your professional recommendations as much as possible, so let's look at the list of proposed closures in a different way. I assume the need to reduce Federal spending is really the driving force behind most of these closures. Is that correct?

Answer: It is correct that the need to reduce spending was the basic factor that stimulated the intensive review of the National Fish Hatchery System. It seemed logical that the best place to reduce Federal spending would be in those areas for which there is not strong justification for Federal involvement. Therefore, the hatchery system was reviewed in terms of fish production for fishery management programs which do not represent areas of major Federal responsibility. Those hatcheries not producing fish primarily for anadromous fisheries management, Great Lakes fisheries management, Indian reservations, Federal mitigation, or restoration of endangered species were identified as being of lower Federal priority. Following further analysis to consider each hatchery's potential for higher priority uses and overall condition and efficiency of facilities, the present proposal evolved to close the 31 hatcheries identified in the budget request.

Question: Now, which hatcheries would you have proposed for closure based solely on need to support fishery activities?

Answer: With all budgetary considerations aside, and with total managerial discretion, there are approximately 8 hatcheries we would close because of old or deteriorated facilities, inadequate water supply, operational inefficiency, or other problems, with the intention of enhancing the operational efficiency of the overall hatchery system. These hatcheries are Miles City NFH, Montana; Crawford NFH, Nebraska; Corning NFH, Arkansas; Lake Mills NFH, Wisconsin; Warm Springs NFH, Georgia; Tupelo NFH, Mississippi; Carbon Hill NFH, Alabama; and Cohutta NFH, Georgia.

Question: In addition to those, we understand that there may be others that show up as a closure that are, in fact, a transfer to the Bureau of Indian Affairs for which BIA has requested funds in 1983. Is that correct? How many fit this category?

Answer: Although fish stocking on Indian lands is viewed as a high Federal priority, the proposed closures will have some effect on Indian land fish stocking. BIA was advised of the potential impact on Indian fishery programs. It is our understanding that they have requested funds in FY 1983 to continue the operation of William Creek NFH, Arizona, which was proposed for closure because of the poor condition of facilities and the excessive cost of rehabilitating the facilities to an optimal condition. It is our further understanding that BIA would provide the funding to the Service for operation of the hatchery. As far as we know, this is the only hatchery for which BIA has requested operational funds.

However, to the best of our knowledge, BIA has not requested any funds to rehabilitate facilities to alleviate existing problems.

Question: Furthermore, we understand that there are some states that, while they oppose closure, are interested in operating the hatchery if Federal funding were to be eliminated. Which states have expressed interest in possibly assuming operations of these hatcheries?

Answer: Following submission of the President's budget to Congress, the Service asked those states in which hatcheries are proposed for closure if they would be interested in operating the hatchery if Federal funding were actually terminated. One state, Ohio, has expressed definite interest in assuming the operation of the Hebron NFH, regardless of the status of future funding. The Service has been working with Ohio to develop a cooperative agreement under which Ohio would assume operation of the Hebron hatchery. Three other states, North Carolina, South Carolina, and New Hampshire, have indicated they would consider assuming operations of the McKinney Lake, Walhalla, and Berlin hatcheries _if_ Federal funding is terminated. It is difficult to estimate with any degree of accuracy how many states would assume operations if no Federal funds were appropriated to operate the hatcheries. The states have generally decided to wait until Congress takes final action rather than making any firm commitments at this time.

Question: Are there special considerations that should be mentioned regarding other hatcheries? For example, we understand that the Spearfish hatchery in South Dakota will be kept open as a visitor center even if closed as a hatchery.

Answer: The Spearfish hatchery is the only facility that the Service would retain for a different use even though fish production would be terminated. This facility is one of the oldest in the system and has a significant interpretive program supported by Interpretation and Recreation Program funding. However, there are other considerations at certain facilities that would have to be resolved if Service operations are terminated. A number of hatcheries are on land donated by state or local governments or private donors for specific purposes, with reversionary closures included in the deed. Reversionary restrictions would have to be resolved in any transfer of operation or jurisdiction. Also, several hatcheries are located on land owned by other Federal agencies. Agreement of these agencies would be required in a transfer of operations. A third consideration is the Administration's proposed asset management program now under development and review which would allow for the sale of unneeded Federal property. The 31 hatcheries proposed for closure have been identified in the initial inventory of property available for potential sale. Future requirements that develop under this program would have to be considered in the ultimate disposal of the hatcheries. Legislative language allowing for the transfer of fish hatcheries directly to State agencies for fishery management purposes would aid in the proper disposition of these hatchery faciliities.

Question: If we make the closures we've addressed in this fashion, by my count we would get about 15 closures. Is that correct? Perhaps that sets our minimum target for closures.

Answer: Based on examination of the issue in this fashion, that may be a reasonable target.

Question: What do you anticipate for hatchery closure costs in FY 1982?

Answer: As stated on page 143 of the Budget Justification, in order for the Fish and Wildlife Service to realize the savings proposed in the FY 1983 Budget, operations would have to be totally terminated by September 30, 1982. To accomplish this, close-out activities must be initiated by July 1, 1982. Costs associated with closure of the hatcheries would include such things as disposal of fish on hand, transfer of equipment and supplies, severence pay and terminal leave payments for separated personnel, transfer costs for retained personnel, and custodial protection of facilities until disposed of by the General Services Administration as specified by surplus property disposal regulations or agreement can be completed with the State for operation of the hatchery. The Service could be responsible for custodial protection for as long as 15 months under GSA regulations. Total closure cost for the 31 hatcheries has been estimated at 1$ million to $1.75 million depending on the actual costs for the items mentioned. If closure cannot be completed in FY 1982, costs will be carried over to FY 1983 and will have to be absorbed in the base funding for the remaining hatcheries since no funds are budgeted for this purpose in FY 1983.

ENVIRONMENTAL CONTAMINANT RESEARCH REDUCTIONS

Question: Mr. Jantzen, I see that you are requesting a decrease of 786 thousand dollars (or -10 percent) from 1982 appropriations to date for environmental contaminant research (p. 21). Two items concern me: One reduction is for 210 thousand dollars for research on the impacts of contaminants from mineral mining and smelting activities and another reduction is for 262 thousand dollars relating to the assessment of agricultural chemicals used in forest, range and crop management activities. Both of these activities seem to be increasingly important areas of wildlife research. What is left as base funding for these two activities if the Committee makes these reductions?

Answer: In FY 1983, the Service's base funding for resource assessments of agricultural chemicals will be $978,000. Base funding for research to evaluate mineral mining and smelting impacts has been eliminated. Resource impacts from mineral mining and smelting are frequently localized in scope and, when requested, the Service will provide assistance to other agencies on a reimbursable basis when species of high Federal interest or concern are involved. We believe that agricultural chemical problem can be adequately addressed with this level of funding.

Question: Does this completely eliminate the research work and resource assessment work related to environmental contaminants produced by mining or smelting?

Answer: Yes, the $210,000 reduction will completely eliminate this research work.

Question: How many migratory bird or other wildlife fatalities have occurred in recent years due to these types of contamination cases?

Answer: The Fish and Wildlife Service does not maintain records as to the number of migratory birds or other wildlife fatalities which have occurred due to agricultural chemical and/or mineral mining and smelting activities.

Records of wildlife kills are maintained by the Environmental Protection Agency and State agencies in conjunction with enforcement actions for industrial guidelines. It is not possible to distinguish fatalities associated with agricultural chemical usage and mineral mining and smelting from these records.

The Service, however, has documented instances where fish and wildlife losses have occurred as a result of agricultural chemicals and mineral mining and smelting operations. For example, periodic fish kills have occurred along the Big River in Missouri where abandoned and new lead mining operations exist. Fish kills and, potentially abnormal fish larvae development, have occurred in the Pacific Northwest in association with local zinc, copper, and lead mining operations. In Southern Minnesota, fish kills have been observed in tributary trout streams during spring runoff periods following the agricultural application of organophosphate and carbmate insecticides.

Agricultural application of the pesticide parathion near the Buffalo Lake Wildlife Refuge, Umbarger, Texas resulted in the 1981 death of 1,200 Canada geese. Heptachlor seed treatment was indicated as the probable cause of reduced egg hatching (82 to 52 percent decrease) of Canada geese along the Columbia River drainage basin of Oregon and Washington.

Question: Your justification states that these impacts are frequently "localized in scope". Does the FWS charter restrict research activities to those problems that are not "localized in scope".

Answer: No, the Service is not restricted from dealing with research activities which are localized in scope. However, we feel that available funding can be more appropriately applied to resource issues which are National in scope and that localized issues can be addressed within State jurisdictional responsibilities.

COAL OPERATIONS

Question: You have proposed a reduction of 500 thousand dollars in the coal operations program in 1983 (p. 32). Why?

Answer: We have reduced our emphasis on high technology mapping and evaluation of coal leasing areas. We now have several years experience in the coal program and believe that we can meet our responsibilities by placing greater reliance on more traditional methods of field evaluation.

Question: Isn't coal related workload increasing?

Answer: No, current Bureau of Land Management schedules call for a 1983 workload similar to that scheduled in 1982 and actually performed in 1981.

Question: Is the FWS relying on BLM to do the necessary wildlife work to support the coal leasing program?

Answer: The Service will continue to conduct the necessary evaluations in regard to fish and wildlife species of high Federal interest and responsibility. We will rely on BLM to fund rapid assessment methods analyses if they wish to continue receiving them. Also, we will depend more on the States to ensure that species primarily under their jurisdiction are adequately protected.

Question: Are you satisfied that this will adequately protect wildlife resources?

Answer: Yes, if all interested parties fulfill their obligations and approach coal development with a balanced attitude, fish and wildlife resources can be adequately protected while our energy resources are being utilized.

NATIONAL WETLANDS INVENTORY

Question: You have proposed an increase of 1 million 141 thousand dollars (or + 46%) to accelerate the National Wetland Inventory work. Why accelerate that program that much?

Answer: The National Wetlands Inventory is an excellent means of providing basic resource information to the public and developers. Such information can lead to resolution of issues before significant funds are invested and conflicts arise. Thus, priority wetlands can be conserved without impeding development.

The requested increase will allow the completion of what the Service has identified as priority areas by 1988 instead of 1994. In addition, areas identified as priority by the States and other agencies will be mapped on a cost-sharing basis. Such an acceleration can only enhance our goals of conserving wetlands without impeding development.

Question: Through 1981, the FWS has mapped 21 percent of total USA land area. What percent does this equal of the highest priority wetland acres?

Answer: Of the 21% of the conterminous U.S. mapped through 1981, 15% was considered priority by the Service. The other 6% was considered priority by the cooperating Federal and State agencies. The Service has currently identified approximately 47% of the lower 48 land area and 6% of Alaska as "priority areas". Thus, about 32% of the lower 48 priority areas are presently mapped. Half of Alaska's identified priority areas are mapped.

Question: Are we more than half-way through with wetland inventorying and mapping in terms of the quality of land to be mapped?

Answer: No, the figure is closer to 1/3rd for areas currently identified as priority. In addition, we should not limit our thinking to areas identified as "priority." This is simply a method we used to determine which maps we should prepare first. There are wetlands in all parts of the country. Some areas not considered priority areas by us are considered priority areas by other agencies and the States. The 50/50 cost sharing provisions of the increase are designed to meet these priority areas.

Question: What happens to the maps after being produced -- how are they used in decisionmaking situations?

Answer: The Service has currently distributed about 133,000 copies of wetland maps through its Regional Offices. In addition, Louisiana, Maine, New Hampshire, and New Jersey are reproducing the maps for their residents. They are used by a wide range of public and private interests to become informed about site specific wetland conditions. Users include private individuals and organizations, industry, consulting firms, all levels of Government including Federal, State, county, town and local; universities, colleges, and research institutions. The users include research, teaching, permit review, legislation, litigation, flood control, waste treatment (solid and water), oil spill planning, environmental assessment, environmental impact analyses, land-use planning, town planning, highway design and planning, regional/State planning, resource assessments/ trade-offs, land-use guides/policies, energy resources, identification, inventory, evaluation, classification, conservation, protection management, land acquisition, wildlife habitat management, water quality and planning, watershed planning and river basins planning.

The maps do not in themselves become decisionmaking documents, but they certainly contribute to the factual information available to decisionmakers.

MINERALS

Questions: You are requesting a decrease of 983 thousand dollars in minerals related technical assistance activities. This technical assistance covers wildlife impacts of various minerals development activities, including oil shale, tar sands, geothermal, and other strategic and commercial minerals. This proposed reduction would effectively eliminate the Eastern Energy and Land Use Team stationed in Kearneysville, West Virginia. Will the Service replace those skills or make those skills available through other mechanisms? If so, how? If not, why not?

Answer: Obviously, with the funds and associated personnel reductions, some skills will be lost. However, through the manpower pool available in our Ecological Services division, we believe we can continue to provide critical fish and wildlife information on species of high Federal interest consistent with the overall priorities of Ecological Services.

Question: Again, it seems to me that accelerated minerals development places an additional burden on wildlife protection. Do you anticipate that BLM or the Forest Service will request FWS assistance and reimburse you for that assistance?

Answer: To date, no agreements have been made to provide fish and wildlife input to the minerals program on a reimbursable basis. It is our understanding that other agencies' budgets currently do not include funds for such reimbursable agreements.

Question: If not, what is your professional judgment as to the impact of these reductions?

Answer: The States are expected to assume greater responsibility for fish and wildlife resources that are primarily of local concern. We will continue to provide critical input where species of high Federal interest are involved. Therefore, in the Service's judgment, these reductions will strengthen the State/Federal partnership without jeopardizing fish and wildlife resources.

Funding for Cooperative Units

Question: I note that you've again proposed to close the cooperative research units, for a savings of 4 million, 444 thousand dollars. Isn't that program one that supports training for 100 - 125 graduate students each year and doesn't the unit system provide a place for FWS to contract for some of its own research needs?

Answer: The Cooperative Research Units annually support more than 500 graduate students nationwide, largely through contracts from various sources. The 125 is the approximate number of students that graduate each year. The Cooperative Research Units provide a focal point for conducting research, allowing access to the universities for Fish and Wildlife Service and other agency research contracts. In FY 82 the Fish and Wildlife Service has contracted with many of the Cooperative Units. It uses them with its laboratories in coordinated research.

Question: What is the level of support being provided by the cooperating state agencies and universities and other cooperators?

Answer: The State agencies contributed $1.0 million in base funding, and the universities provided $1.6 million in office and laboratory space, secretarial services, and waivers of overhead on contracts. The Wildlife Management Institute provided $1,000 operating expenses to each Wildlife and Combined Unit and aided in obtaining grants and contracts. In FY 82, more than 90 State and Federal agencies and private organizations have contributed more than $6 million in contracts and other research support to the Cooperative Units.

Question: It seems to me that the Service's 4 million, 444 thousand dollars is supporting or essentially causing a total research program of almost $13 million in 1982. Why isn't that a good investment?

Answer: The cooperative support for this program does result in a total research program of almost $13 million in 1982. If the universities and State agencies value this program highly enough, they have the opportunity to support it without Federal involvement. It is the Department's position that the Cooperative Units are no longer as high in priority as when they began, because there are many university programs which can conduct the work.

Question: Should the Congress decide to continue funding this program in 1983, does the Department have suggestions as to how the number of institutions should be or could be reduced?

Answer: If the Congress provides funds for the program in 1983, the Department advocates combining separate Fishery and Wildlife Units. The number of Unit locations will depend upon the level of funding. Reductions in the program should be made on the basis of need, past success, and potential for future success.

Question: Can you develop criteria for our use in closing some of the units? I'm thinking of items such as (1) the capability of the university, (2) the level of cooperation with the states, and (3) the FWS needs for geographical coverage.

Answer: Yes, these criteria would include:

1) national ecological-geographical needs;
2) needs of cooperating agencies;
3) past Unit success and prognosis for the future.

Youth Conservation Corps

Question: The 1982 appropriation bill provided from $1 million to $3 million for YCC-type activities and encouraged you to use the maximum available. What size YCC program will the FWS operate in 1982?

Answer: The Fish and Wildlife Service will expend $1 million for the Youth Conservation Corps in fiscal year 1982. These funds will be provided mainly by Wildlife and Fishery Resources. We anticipate employment of approximately 400 youth at 140 Service sites which should provide about 100,000 hours of work. The enrollees will be employed at least 240 hours and no more than 720 hours during the period May 1, 1982, to September 30, 1982. The length of employment will depend on funds available at the particular entity providing employment.

Question: Why not use the entire $3 million?

Answer: In fiscal year 1982, the Service received budget cuts in excess of $13 million in the resource management appropriation. This forces the Service to place activities which are not our primary function in a lower priority status.

Refuge Water Rights

Question: I notice the Service is requesting a reduction of $146,000 previously used for identification and adjudication of federal reserved water rights needed for wildlife values on refuges. Does this eliminate water rights funding? If not, how much is left?

Answer: There was a total of $325,000 for activities associated with water rights in FY 1982. There is $179,000 remaining in FY 1983 for monitoring water use and ensuring compliance with State laws and water rights permits and certifications.

Animal Damage Control Reductions

Question: The specific ADC research offices to be closed are in Hilo (which provides research supporting sugar cane damage control), and two timber-related offices, one in Bend, Oregon, and one in Olympia, Washington (p. 105). These closures will save about $380,000 if all closures were effective by the start of 1983. In fact, if the closures are started at the first of FY 1983, savings will probably be less than $300,000. How much do the cooperators contribute to the operation of these stations?

Answer: The cooperators at the Hilo, Hawaii, station provide $20,000 plus $50,000 worth of analytical services and other support of a cooperative nature through the Experiment Station of the Hawaiian Sugar Planters' Association. The field stations at Bend and Olympia are funded jointly. Funds contributed to the project in FY 1982 are anticipated to be $41,660. The level of contribution has varied from year to year.

Question: Isn't it true that all expenses other than salary and personnel benefits are provided by the cooperators?

Answer: In FY 1982, nearly all of the field station costs at Hilo, Olympia, and Bend stations, except for salaries and benefits are covered by the contributed funds.

Endangered Species - Protection

Question: You've requested a decrease of 987 thousand dollars for law enforcement for endangered species (p. 151). Why do you want to reduce this activity by 17 percent?

Answer: In FY 1982, funds added by the Congress will be used primarily to support covert operations and major undercover investigations, with accompanying forensic support. Significant success using this mode of operation was recently experienced in two large undercover cases in FY 1981, revealing major violations of wildlife trade in Atlanta (primarily in listed reptiles), and in Alaska (involving ivory products). Prosecutions in these "sting" cases resulted from forensic findings that the parts and products involved were derived from listed species.

The Service decided to continue its emphasis on undercover investigations, and concurrently, reduce the level of overt protection of domestic species through routine field investigations. Thus, for FY 1983, the concentration will continue to be on a few, cost-effective, major undercover operations of large-scale purposeful violators, rather than further investigation of many smaller cases normally committed by the uninformed public, which are time-consuming, and have a less-deterrent effect on illegal wildlife trade. As a result of this shift in emphasis, protection funding will be reduced by $800,000 in FY 1983, as many currently-pending cases are closed. In addition, with a smaller, more centralized number of undercover agents involved in these functions, the costs associated with in-service agent training will be reduced by $80,000.

Law enforcement planning efforts will be reduced by $46,000, as a new Strategy Plan System becomes operational in FY 1983, as a result of support provided by these funds in FY 1982. This new system will better concentrate limited law enforcement resources on those species of highest priority, to protect those which are particularly vulnerable to human take and commercialization. Strategy Plans outline species status as it relates to taking/commercialization problems, and describes actions to be taken by law enforcement agents to address these problems.

The remainder of the FY 1983 reduction is from the Wildlife Permit Office, where $61,000 will be used in FY 1982 for one-time costs. These funds will be used to support such projects as a study on domestic and international trade in listed species of cactus, microfiching of permit files, and development and production of a deskbook on permit processing to be used by businesses and organizations involved in wildlife trade.

Question: Isn't it true that illegal activity in endangered species is increasing?

Answer: Violations involving endangered species have continuously increased since the passage of the Act in 1973. This was being consistently supported by intelligence reports and statistics on the number of investigations conducted by special agents through FY 1981. During this fiscal year, law enforcement efforts began to focus primarily on violations associated with large-scale commercial activities involving endangered species. These kinds of violations involve multiple subjects engaged in intricate schemes to violate the Act. Consequently, the statistics for cases opened decreased from the previous fiscal year, but the intelligence being received continues to support an increase in violations. This discrepancy between the statistics and the intelligence reports is attributed to a change in the trade patterns for wildlife and wildlife products. Fewer importers and dealers of wildlife and wildlife products are now actually importing and handling a greater volume. Therefore, as the demand for wildlife and wildlife products increases, the violation potential increases accordingly, as does the need to pursue these large-scale commercial cases through covert operations.

Question: You state that you have a new Law Enforcement Strategy Plan System that will improve protection with less money. Couldn't we do significantly more protection with more money?

Answer: Strategy plans provide specific law enforcement protection for the relatively few species facing problems of human taking at certain critical stages of their life cycles. The strategy plan concept insures that adequate law enforcement resources are devoted to the direct protection of listed species during these critical times to preclude species loss. The goal of this "preventive" enforcement is to deter the taking of a species before it occurs, rather than to detect and prosecute a taking violation after it occurs.

The Service believes that strategy plans help to manage law enforcement resources more effectively by directing agents to known problem situations to provide on-site protection. These situations are limited, however, and the President's budget provides adequate resources to address known taking problems through strategy plan implementation.

Strategy plan implementation programmed in FY 1983 will require only 7 percent of available agent time in the field. The majority of field agent time is devoted to investigating reported violations. Although the benefits of this enforcement activity to listed species are generally recognized, they are more difficult to directly measure than strategy plans. While general investigation work must continue, the Service believes that the President's budget adequately funds this activity in FY 1983, and that additional funds would not necessarily translate into a measurable increase in protection of listed species.

Endangered Species - Peregrine Falcon Recovery

Question: Why are you reducing peregrine falcon recovery activities in 1983? (p. 155)

Answer: Recovery plans, as required by the Act for listed species, have been developed and approved for the Eastern and Rocky Mountain/Southwest populations of the peregrine falcon. The Service's budget for peregrine recovery activities was increased by $225,000 in FY 1981, and $216,000 in FY 1982, as a result of Congressional add-ons. By 1982, more than 100 young birds will have been released in each of the East Coast and Rocky Mountain areas. Overall, the Service believes that the techniques for captive propagation and release of peregrine falcons have been successfully developed. With the development of this important phase of the recovery effort, peregrine reintroduction has progressed from an experimental to a production stage.

Now, with the periodic incorporation of new individuals into the resident breeding stock for the maintenance of genetic diversity, there exists both an adequate captive breeding stock and the necessary technology to provide an ample number of birds for release sites for the foreseeable future. Captive propagation and release efforts have been conducted in cooperation with participating State conservation efforts. In 1980, peregrine falcons nested in the eastern U.S. for the first time in approximately 25 years. In addition, a male peregrine released from the Fort Collins, Colorado, facility in 1978, bred and reproduced young with a wild female in 1980. Captive-produced birds released from this facility have been observed in the wild, including former release sites, and future breeding in the wild is anticipated.

The Service expects that the FY 1982 peregrine recovery program (which, at $374,000, is almost $50,000 more that in FY 1981), together with continued funding support from private contributions and foundations, and other involved Federal agencies, will sustain present levels of successful propagation and release efforts, with the likelihood that additional pairs in the wild will result. The Service does plan on continuing its support of this recovery operation in FY 1983, albeit at a reduced level within existing resources ($158,000 is now planned for these efforts in FY 1983). For these reasons, the Service is not requesting continuation of $216,000 in FY 1983 under this program.

Wetland Loan Fund

Question: The Migratory Bird Conservation Account has a loan balance of $55.15 million remaining on an authorized wetland loan program level of $200 million. Last year, Congress advanced $1.2 million to enable you to accelerate the land acquisition program. You've requested no loan advance this year. Doesn't the wetland loan fund authority expire September 30, 1983?

Answer: That is correct. The Wetlands Loan Act of 1961, as amended authorizes advance funds to be appropriated to the Migratory Bird Conservation Fund until September 30, 1983.

Question: If the loan balance is not used in 1983, then it lapses, is that correct?

Answer: Yes, the $55.15 million loan balance will lapse according to the amendment to the Wetlands Loan Act made in 1976, and repayment to the Treasury of funds advanced under the Act must begin October 1, 1983, in annual amounts comprising 75 per centum of the monies accruing annually to the Fund.

Question: Is that what you have in mind?

Answer: Definitely not. Secretary Watt and members of the Migratory Bird Conservation Commission would prefer to see an amendment passed extending the Act. The Service is actively involved in developing several options to be considered by the members of the Migratory Bird Conservation Commission which could augment funding for preservation of wetlands.

Question: Did you consider advancing a large amount in FY 1983 and simply accept the fact that future year programs will be smaller?

Answer: The option of a sizeable advance to the Migratory Bird Conservation Fund in FY 1983 and subsequent smaller future year programs that will occur if the Wetland Loan Act expires was considered. Since the remaining loan balance of $55.15 million alone will not preserve an adequate amount of habitat essential to conservation of migratory waterfowl and may be beyond our current capabilities to obligate within FY 1983, the decision was made to continue funding other priority programs that contribute to conservation of migratory birds rather than make substantial tradeoffs in order to accommodate a large request for a loan advance.

Lower Snake River Compensation Plan

Question: Last year the Congress added funds for the operation and maintenance of the new mitigation facilities constructed by the Corps of Engineers under the Lower Snake River Compensation Plan. It's our understanding that the Service needs about $1.4 million in 1983 to provide for additional fish production, increased operational costs, and to initiate field evaluation studies. Why is it that these mitigation costs are not included in your budget request as a Federal obligation to compensate for other damages?

Answer: Base funding for operation and maintenance of Lower Snake River Compensation Plan facilities in fiscal year 1983 is $1,029,000. Total O&M funding needs are estimated at $2,183,000, based on Corps of Engineers construction projections of May, 1982. The budget request will continue critical operational funding at presently operating hatcheries at the FY 1982 level. The Service and the Department are investigating if operational funding needs for LSRCP mitigation facilities can be offset by project revenues, and thus be treated as true mitigation costs, just as capital costs for construction of facilities are presently handled. This would obviate the need for direct appropriations for this program.

Urban Wildlife Research Program

Question: For the record, please provide a complete description and justification of your urban wildlife research program.

Answer: In addition, to the obvious, long-term benefits derived from increasing our knowledge of the management of wildlife in an increasingly urban environment, some immediate and tangible benefits also derive from this research. For example, the growing bird seed industry has been very interested in our findings that birds show definite preferences for certain types of seeds. Those who derive pleasure from feeding birds find that their use of preferred seeds results in less wastage thereby saving dollars and decreasing problems caused by rats or other nuisance species who feed on the rejected seeds. Architects have been provided information that enables them to design buildings and landscapes that enhance the enjoyment of desirable species without attracting those which cause damage or are otherwise undesirable.

The present urban bird research program is conducted by one biologist and is focused on factors which influence the relative attractiveness of various foods and feeds, and on improving survey methods for bird populations in urban areas. In addition, extensive consultation on urban habitat management is provided to Federal, State, and local agencies, and private planners. Continuing research needs include: effects of urban open space habitat management on wildlife populations in urban areas, and factors defining the size and species composition of urban bird populations.

This program increases our understanding of urban wildlife populations and their management and thus can make a significant contribution to improving the quality of urban living. Over 70 percent of the U.S. population live in cities, suburbs, and developing areas. The general interest in wildlife around people's homes is emphasized by estimates that at least one-fifth of all U.S. households feed birds, making this probably the most popular use of wildlife in the country. It was estimated in 1974 that $170 million was spent for wild bird seed. A recently published Special Scientific Report (#233) on the relative attractiveness of various wild bird feeds has stimulated more requests for copies than any previous Service research report.

Furthermore, careful landscaping, proper design and management of open space, and the right kind of building design in urban and suburban areas can provide an esthetically appealing area and also harbor a large variety of wildlife. An urban wildlife program affords an outstanding environment education opportunity by improving the general public's understanding of the natural forces that control wildlife populations.

Grazing on Refuges

Question: For the record please provide a table showing a 5-year history, by refuge, of the grazing capacity and usage and related O&M costs.

Answer: The following table, for FY '77 to FY '81 provides the acres grazed, the animal unit months of grazing, and the revenues derived from grazing. The operation and maintenance cost related to grazing totalled $356,000 in FY '81.

NATIONAL WILDLIFE REFUGE SYSTEM

GRAZING SUMMARY
FY-84

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NWRS SUMMARY		607	2,115,238	421,970	1,132,184.15
NWRS SUMMARY	ACRES/AUM = 5.01	REVENUE/AUM = $2.68	REVENUE/ACRE = $0.54		
ALASKA		1	25,271	4,800	0.00
ARKANSAS		2	8	43	12.00
ARIZONA		1	221,291	5,748	14,268.78
CALIFORNIA		14	11,478	14,948	68,599.94
COLORADO		23	29,461	12,934	51,858.97
FLORIDA		0	1,680	0	420.00
GEORGIA		0	500	75	187.50
IDAHO		31	18,035	93,440	15,394.40
ILLINOIS		17	2,373	2,244	5,373.99
KANSAS		12	6,624	3,815	15,128.75
LOUISIANA		6	13,605	6,802	4,397.59
MAINE		5	88	127	317.75
MINNESOTA		7	545	331	590.28
MISSOURI		7	557	1,543	4,018.92
MONTANA		133	777,576	64,346	206,397.51

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NORTH CAROLINA		1	39	156	234.00
NORTH DAKOTA		73	25,921	13,738	67,159.30
NEBRASKA		35	62,739	21,597	165,996.11
NEW MEXICO		1	2,731	475	4,897.25
NEVADA		28	550,761	38,540	109,556.83
NEW YORK		5	494	0	2,586.50
OKLAHOMA		14	3,717	2,680	8,148.00
OREGON		47	255,317	57,072	201,552.87
** UNKNOWN 00450000SDX		66	9,069	8,543	42,537.79
TENNESSEE		3	27	80	376.00
TEXAS		44	81,552	58,635	118,615.05
VIRGINIA		1	6,000	1,800	180.00
WASHINGTON		28	7,779	7,335	22,854.07
WISCONSIN		2	0	123	522.00
ATLANTIC FLYWAY		12	8,801	2,158	3,925.75
ATLANTIC FLYWAY	ACRES/AUM = 4.08	REVENUE/AUM = $1.82	REVENUE/ACRE = $0.45		
CENTRAL FLYWAY		385	974,880	179,247	646,863.86
CENTRAL FLYWAY	ACRES/AUM = 5.44	REVENUE/AUM = $3.61	REVENUE/ACRE = $0.66		
MISSISSIPPI FLYWAY		44	17,115	11,166	15,292.78
MISSISSIPPI FLYWAY	ACRES/AUM = 1.53	REVENUE/AUM = $1.37	REVENUE/ACRE = $0.89		

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
PACIFIC FLYWAY		166	1,114,442	229,399	466,101.76
PACIFIC FLYWAY	ACRES/AUM = 4.86	REVENUE/AUM = $2.03	REVENUE/ACRE = $0.42		
REGION 1 STATION SUMMARY		148	843,370	211,335	417,958.11
REGION 1 STATION SUMMARY	ACRES/AUM = 3.99	REVENUE/AUM = $1.98	REVENUE/ACRE = $0.50		
KERN	1-1610-KRN	1	4,451	3,785	18,923.30
HOPPER MT RANCH	1-1611-HMR	1	900	1,080	2,970.00
PIXLEY	1-1612-PIX	4	4,046	3,160	15,800.05
DELEVAN	1-1622-DEL	1	181	400	1,400.00
KESTERSON	1-1651-KST	2	0	2,940	0.00
KLAMATH FOREST	1-1662-KLF	2	3,840	2,948	31,328.88
MODOC	1-1690-MDC	5	1,900	3,583	29,506.59
COLUMBIA	1-3510-CMB	5	5,538	220	2,036.00
RIDGEFIELD	1-3551-RDG	2	1,214	1,140	2,279.32
WILLAPA	1-3552-WLP	2	465	650	1,300.26
COLUMBIAN WHITETAILD DEER	1-3554-CWD	7	562	3,087	9,110.49
TURNBULL	1-3560-TBL	12	0	2,238	8,128.00
MALHEUR	1-3570-MLH	34	50,000	40,267	120,630.96
UMATILLA	1-3580-UMT	1	20	0	1,000.00
WILLIAM L. FINLEY	1-3590-WMF	4	1,454	886	3,396.92
BASKETT SLOUGH	1-3592-BKS	1	3	15	0.53

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
PAHRANAGAT	1-4551-PHR	1	500	411	1,166.55
DEER FLAT	1-4560-DRF	1	10	41	62.25
RUBY LAKE	1-4570-RBL	4	13,493	5,169	15,367.39
KOOTENAI	1-4580-KTN	2	115	66	248.34
STILLWATER	1-4590-STL	13	161,768	12,907	21,410.72
CAMAS	1-4611-CMS	12	4,500	3,940	9,454.85
GRAYS LAKE	1-4612-GYL	5	9,000	88,488	3,504.52
BEAR LAKE	1-4613-BRL	8	1,500	687	1,743.97
MINIDOKA	1-4614-MND	3	2,910	216	380.47
SHELDON	1-4621-SAR	10	375,000	20,053	71,612.17
HART MOUNTAIN	1-4622-HTM	5	200,000	12,956	45,195.58
REGION 2 STATION SUMMARY		60	309,291	67,538	145,929.08
REGION 2 STATION SUMMARY	ACRES/AUM = 4.58	REVENUE/AUM = $2.16	REVENUE/ACRE = $0.47		
ANAHUAC	2-1520-AHC	3	5,500	10,720	13,405.00
MCFADDIN	2-1525-MCF	0	0	0	18,210.00
ARANSAS	2-1530-ARN	3	25,286	21,624	26,800.00
BRAZORIA	2-1540-BRZ	3	5,000	4,506	6,759.00
SAN BERNARD	2-1541-SNB	6	18,634	16,225	19,557.00
LAGUNA ATASCOSA	2-1550-LGA	1	1,336	160	360.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
ATTWATER PRAIRIE CHICKEN	2-1560-ATW	3	7,980	0	19,016.05
BUFFALO LAKE	2-1570-BFL	7	4,772	1,014	2,826.00
HAGERMAN	2-1580-HGR	17	7,235	3,486	9,882.00
MULESHOE	2-1590-MLS	1	5,809	900	1,800.00
SALT PLAINS	2-1630-SLP	9	3,287	2,464	7,392.00
WICHITA MTS WILDLIFE REFG	2-1670-WMW	5	430	216	756.00
KOFA	2-2570-KGR	1	187,291	4,200	10,615.50
CABEZA PRIETA	2-2571-CPG	0	34,000	1,548	3,653.28
LAS VEGAS	2-2580-LVS	1	2,731	475	4,897.25
REGION 3 STATION SUMMARY		33	3,475	4,241	10,505.19
REGION 3 STATION SUMMARY	ACRES/AUM = 0.82	REVENUE/AUM = $2.48	REVENUE/ACRE =	$3.02	
RICE LAKE	3-2540-RCL	1	100	82	82.50
SHERBURNE	3-2550-SHB	1	45	40	0.28
LACROSSE DISTRICT	3-2572-LCD	2	0	123	522.00
WINONA DISTRICT	3-2574-WND	1	200	20	60.00
MORRIS WETLAND MGT DIST	3-2581-BNW	3	200	139	347.50
BIG STONE	3-2640-BGS	1	0	50	100.00
~~MINGO~~	~~3-3540-MNG~~	7	557	1,543	4,018.92
CRAB ORCHARD	3-3610-CRO	17	2,373	2,244	5,373.99

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 4 STATION SUMMARY		12	15,859	7,156	5,629.09
REGION 4 STATION SUMMARY	ACRES/AUM = 2.22	REVENUE/AUM = $0.79	REVENUE/ACRE = $0.35		
CHASSAHOWITZKA	4-1510-CHS	0	1,680	0	420.00
HARRIS NECK	4-1627-HSN	0	500	75	187.50
CROSS CREEKS	4-2515-CRK	3	27	80	378.00
PEE DEE	4-2550-PED	1	39	156	234.00
BIG LAKE	4-3515-BGL	2	8	43	12.00
LACASSINE	4-3610-LCS	1	880	1,260	756.00
SABINE	4-3640-SBN	5	12,725	5,542	3,641.59
REGION 5 STATION SUMMARY		11	6,582	1,927	3,084.25
REGION 5 STATION SUMMARY	ACRES/AUM = 3.42	REVENUE/AUM = $1.60	REVENUE/ACRE = $0.47		
CHINCOTEAGUE	5-1570-CHN	1	6,000	1,800	180.00
IROQUOIS	5-2540-IRQ	5	494	0	2,586.50
MOOSEHORN	5-3530-MSH	5	88	127	317.75

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 6 STATION SUMMARY		342	911,390	124,973	549,078.43
REGION 6 STATION SUMMARY	ACRES/AUM = 7.29	REVENUE/AUM = $4.39	REVENUE/ACRE =	$0.60	
CHARLES M. RUSSELL	6-1520-CMR	96	750,000	55,000	162,250.00
LAKE MASON	6-1522-LKM	5	3,995	1,718	5,068.10
WAR HORSE	6-1524-WRH	3	1,559	329	900.00
YELLOW WATER	6-1525-YLW	4	1,520	379	1,118.05
MEDICINE LAKE	6-1530-MDL	7	6,120	972	7,299.77
N.W. MONTANA WETLANDS	6-1544-NWM	3	400	535	3,877.00
RED ROCK LAKES	6-1570-RRL	8	12,730	5,117	25,390.07
BOWDOIN	6-1580-BWD	2	230	46	115.00
BLACK COULEE	6-1581-BLC	4	942	226	342.72
CREEDMAN COULEE	6-1582-CRC	1	80	24	36.80
ARROWWOOD W.M.D.	6-2530-ARW	3	0	0	1,843.38
AUDUBON	6-2540-ADB	1	160	107	657.77
AUDUBON W.M.D.	6-2554-ADW	2	440	228	1,550.70
DES LACS	6-2570-DSL	6	1,376	989	6,111.59
LAKE ILO	6-2571-ILO	1	665	96	594.83
LOSTWOOD	6-2572-LST	6	7,165	3,244	20,046.44
J. CLARK SALYER	6-2620-JCS	0	4,440	2,325	15,114.52
J. CLARK SALYER W.M.D.	6-2629-JCW	1	60	60	0.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
KULM W.M.D.	6-2630-KLW	44	4,800	3,574	19,657.07
UPPER SOURIS	6-2680-USR	9	6,815	3,115	1,583.00
CRESCENT LAKE	6-4510-CRL	9	28,140	4,250	36,176.32
FORT NIOBRARA	6-4520-FTN	1	208	53	386.90
VALENTINE	6-4521-VLT	17	33,836	16,695	126,444.64
RAINWATER BASIN WMD	6-4530-HSW	8	555	599	2,988.25
LACREEK	6-4540-LCK	11	5,705	4,810	29,844.84
LAKE ANDES W.M.D.	6-4551-LAW	12	1,215	775	6,007.50
MADISON W.M.D.	6-4560-MDW	31	1,370	2,056	147.92
SAND LAKE	6-4570-SDL	2	248	308	2,156.00
SAND LAKE W.M.D.	6-4572-SDW	5	284	355	2,412.50
WAUBAY	6-4590-WBY	2	88	169	1,437.27
WAUBAY W.M.D.	6-4591-WBW	3	159	70	531.76
QUIVIRA	6-4620-QVR	12	6,624	3,815	15,128.75
ALAMOSA	6-5510-ALM	4	4,660	3,316	15,323.76
ARAPAHO	6-5520-ARP	9	8,384	5,550	22,200.92
BAMFORTH	6-5521-BMF	1	1,161	99	148.50
BROWNS PARK	6-5550-BRP	4	11,300	1,840	4,571.00
MONTE VISTA	6-5560-MTV	5	3,956	2,099	9,614.79

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
ALASKA AREA SUMMARY		1	25,271	4,800	0.00
ALASKA AREA SUMMARY	ACRES/AUM = 5.26	REVENUE/AUM = $0.00	REVENUE/ACRE =	$0.00	
SIMEONOF	7-2553-SMF	1	25,271	4,800	0.00

GRAZING SUMMARY
~~FY-80~~

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NWRS SUMMARY		~~4,507~~ 571	2,228,314	302,528	973,431.86
NWRS SUMMARY	ACRES/AUM = 7.37	REVENUE/AUM = $3.22	REVENUE/ACRE =	$0.44	
** UNKNOWN 00450000 X		1	8,966	4,897	6,121.25
ALASKA		2	29,356	2,075	300.00
ARKANSAS		2	8	43	12.00
ARIZONA		1	221,291	5,748	12,466.20
CALIFORNIA		18	22,727	15,917	55,193.78
COLORADO		22	29,790	12,922	50,438.22
FLORIDA		1	0	0	420.00
GEORGIA		0	1,400	150	562.50
IDAHO		~~3,842~~ 19	10,330	2,109	13,918.82
ILLINOIS		19	2,506	2,594	6,362.72
KANSAS		12	6,638	3,628	11,748.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
LOUISIANA		6	13,605	7,041	4,689.66
MAINE		4	88	115	286.25
MINNESOTA		5	385	373	874.70
MISSOURI		6	465	1,208	2,494.89
MONTANA		135	896,332	62,870	163,989.49
NORTH CAROLINA		1	49	288	432.00
NORTH DAKOTA		55	16,039	7,513	36,717.41
NEBRASKA		32	64,163	26,789	152,645.09
NEW MEXICO		6	6,894	870	4,972.35
NEVADA		29	537,268	32,504	89,726.07
NEW YORK		6	594	58	1,454.75
OKLAHOMA		13	3,157	1,772	4,052.00
OREGON		55	256,391	61,428	221,914.05
** UNKNOWN 00450000SDX		55	2,921	5,610	33,508.15
TENNESSEE		3	270	800	378.00
TEXAS		40	71,400	31,653	74,041.05
VIRGINIA		1	6,000	1,800	180.00
WASHINGTON		35	19,281	9,753	23,532.46

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 1 STATION SUMMARY		4,~~97~~9 143	845,997	121,711	404,285.18
REGION 1 STATION SUMMARY	ACRES/AUM = 6.95	REVENUE/AUM = $3.32	REVENUE/ACRE = $0.48		
KERN	1-1610-KRN	1	4,451	2,302	11,508.50
HOPPER MT RANCH	1-1611-HMR	1	900	90	3,011.25
PIXLEY	1-1612-PIX	3	3,070	2,591	12,913.15
DELEVAN	1-1622-DEL	1	181	400	1,400.00
KESTERSON	1-1651-KST	2	0	3,940	0.00
CLEAR LAKE	1-1661-CLR	1	5,500	628	4,113.40
KLAMATH FOREST	1-1662-KLF	1	560	602	1,204.00
LOWER KLAMATH	1-1663-LKL	4	6,725	3,108	7,958.98
UPPER KLAMATH	1-1665-UKL	1	2,360	562	1,965.56
MODOC	1-1690-MDC	5	1,900	2,858	14,288.50
COLUMBIA	1-3510-CMB	4	4,697	210	1,742.00
TOPPENISH	1-3521-TPN	8	1,490	2,175	1,053.75
RIDGEFIELD	1-3551-RDG	3	1,214	1,265	2,539.32
WILLAPA	1-3552-WLP	2	465	749	798.92
COLUMBIAN WHITETAILD DEER	1-3554-CWD	6	545	3,196	9,303.47
TURNBULL	1-3560-TBL	12	10,870	2,158	8,095.00
MALHEUR	1-3570-MLH	42	52,500	46,738	170,642.40
UMATILLA	1-3580-UMT	2	20	0	1,067.00
WILLIAM L. FINLEY	1-3590-WMF	3	948	461	1,561.66

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
BASKETT SLOUGH	1-3592-BKS	1	3	12	40.20
PAHRANAGAT	1-4551-PHR	1	500	418	1,150.24
DEER FLAT	1-4560-DRF	1	80	142	213.00
RUBY LAKE	1-4570-RBL	4	0	0	15,793.00
KOOTENAI	1-4580-KTN	1	115	79	301.09
STILLWATER	1-4590-STL	14	161,768	12,599	20,233.43
CAMAS	1-4611-CMS	3,~~92~~3 13	5,000	0	7,901.52
GRAYS LAKE	1-4612-GYL	5	725	839	3,387.38
BEAR LAKE	1-4613-BRL	9	1,500	733	1,466.76
MINIDOKA	1-4614-MND	3	2,910	316	649.07
SHELDON	1-4621-SAR	10	375,000	19,487	52,549.40
HART MOUNTAIN	1-4622-HTM	5	200,000	13,053	45,433.23
REGION 2 STATION SUMMARY		61	311,708	44,940	101,652.85

REGION 2 STATION SUMMARY ACRES/AUM = 6.94 REVENUE/AUM = $2.26 REVENUE/ACRE = $0.33

ANAHUAC	2-1520-AHC	2	4,000	8,883	11,103.75
SEA RIM	2-1526-SRM	1	8,966	4,897	6,121.25
ARANSAS	2-1530-ARN	3	25,354	6,950	26,100.00
BRAZORIA	2-1540-BRZ	3	5,000	4,790	7,183.80
SAN BERNARD	2-1541-SNB	5	15,729	5,789	16,007.70
LAGUNA ATASCOSA	2-1550-LGA	2	2,340	184	414.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
ATTWATER PRAIRIE CHICKEN	2-1560-ATW	2	6,100	800	11,431.80
HAGERMAN	2-1580-HGR	22	7,068	3,357	0.00
MULESHOE	2-1590-MLS	1	5,809	900	1,800.00
SALT PLAINS	2-1630-SLP	8	2,727	1,556	3,512.00
WICHITA MTS WILDLIFE REFG	2-1670-WMW	5	430	216	540.00
KOFA	2-2570-KGR	1	187,291	4,200	9,912.00
CABEZA PRIETA	2-2571-CPG	0	34,000	1,548	2,554.20
LAS VEGAS	2-2580-LVS	6	6,894	870	4,972.35
REGION 3 STATION SUMMARY		30	3,356	4,175	9,732.31
REGION 3 STATION SUMMARY ACRES/AUM = 0.80 REVENUE/AUM = $2.33 REVENUE/ACRE = $2.90					
RICE LAKE	3-2540-RCL	0	100	83	82.50
SHERBURNE	3-2550-SHB	1	45	35	27.20
DETROIT LAKES WET MGT DST	3-2586-DTW	4	240	255	765.00
MINGO	3-3540-MNG	6	465	1,208	2,494.89
CRAB ORCHARD	3-3610-CRO	19	2,506	2,594	6,362.72
REGION 4 STATION SUMMARY		13	15,332	8,322	6,494.16
REGION 4 STATION SUMMARY ACRES/AUM = 1.84 REVENUE/AUM = $0.78 REVENUE/ACRE = $0.42					
CHASSAHOWITZKA	4-1510-CHS	1	0	0	420.00
HARRIS NECK	4-1627-HSN	0	1,400	150	562.50

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
CROSS CREEKS	4-2515-CRK	3	270	800	378.00
PEE DEE	4-2550-PED	1	49	288	432.00
BIG LAKE	4-3515-BGL	2	8	43	12.00
LACASSINE	4-3610-LCS	1	880	1,260	756.00
SABINE	4-3640-SBN	5	12,725	5,781	3,933.66
REGION 5 STATION SUMMARY		11	6,682	1,973	1,921.00
REGION 5 STATION SUMMARY	ACRES/AUM = 3.39	REVENUE/AUM = $0.97	REVENUE/ACRE = $0.29		
CHINCOTEAGUE	5-1570-CHN	1	6,000	1,800	180.00
IROQUOIS	5-2540-IRQ	5	494	0	1,338.75
MONTEZUMA	5-2550-MNT	1	100	58	116.00
MOOSEHORN	5-3530-MSH	4	88	115	286.25
REGION 6 STATION SUMMARY		311	1,015,883	119,332	449,046.36
REGION 6 STATION SUMMARY	ACRES/AUM = 8.51	REVENUE/AUM = $3.76	REVENUE/ACRE = $0.44		
BENTON LAKE	6-1510-BNL	1	148	35	155.25
BENTON LAKE WMD	6-1511-BLW	2	3,888	570	0.00
CHARLES M. RUSSELL	6-1520-CMR	96	750,000	55,000	129,800.00
LAKE MASON	6-1523-LKM	4	3,995	1,057	2,494.52
WAR HORSE	6-1524-WRH	3	112,322	329	1,451.56
YELLOW WATER	6-1525-YLW	4	1,520	506	318.60

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
MEDICINE LAKE	6-1530-MDL	8	6,120	950	5,391.74
RED ROCK LAKES	6-1570-RRL	11	17,465	4,248	24,049.51
BOWDOIN	6-1580-BWD	3	323	65	161.50
BLACK COULEE	6-1581-BLC	2	471	94	142.81
CREEDMAN COULEE	6-1582-CRC	1	80	16	24.00
ARROWWOOD	6-2510-ARD	9	1,000	1,403	7,265.17
ARROWWOOD W.M.D	6-2530-ARW	2	320	170	523.54
AUDUBON	6-2540-ADB	1	150	162	842.20
AUDUBON W.M.D	6-2554-ADW	6	775	466	2,417.55
DES LACS	6-2570-DSL	5	1,120	485	2,513.50
LAKE ILO	6-2571-ILO	1	665	147	759.13
J. CLARK SALYER	6-2620-JCS	0	8,155	1,900	9,840.08
J. CLARK SALYER W.M.D	6-2629-JCW	1	120	74	296.00
KULM W.M.D.	6-2630-KLW	30	3,734	2,706	12,260.24
CRESCENT LAKE	6-4510-CRL	8	25,503	6,320	51,099.08
FORT NIOBRARA	6-4520-FTN	1	212	60	388.20
VALENTINE	6-4521-VLT	19	38,108	19,551	99,775.81
RAINWATER BASIN WMD	6-4530-HSW	4	340	258	1,382.00
LACREEK	6-4540-LCK	10	0	2,694	16,568.00
LAKE ANDES	6-4550-LAN	1	90	45	270.00
LAKE ANDES W.M.D.	6-4551-LAW	18	1,100	1,147	5,341.30

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
KARL MUNDT	6-4552-KMN	1	147	90	494.10
MADISON W.M.D.	6-4560-MDW	12	720	730	4,325.00
SAND LAKE W.M.D.	6-4572-SDW	12	704	704	5,109.75
WAUBAY W.M.D.	6-4591-WBW	1	160	200	1,400.00
QUIVIRA	6-4620-QVR	12	6,638	3,628	11,748.00
ALAMOSA	6-5510-ALM	4	7,132	4,429	18,954.39
ARAPAHO	6-5520-ARP	8	7,560	5,443	21,771.80
BAMFORTH	6-5521-BMF	1	1,161	99	148.50
BROWNS PARK	6-5550-BRP	4	11,300	1,427	3,041.25
MONTE VISTA	6-5560-MTV	5	2,637	1,524	6,522.28
ALASKA AREA SUMMARY		2	29,356	2,075	300.00
ALASKA AREA SUMMARY	ACRES/AUM = 14.15	REVENUE/AUM = $0.14	REVENUE/ACRE = $0.01		
EAST ALEUTIAN ISLANDS	7-2551-EAL	1	4,085	1,800	150.00
SIMEONOF	7-2553-SMF	1	25,271	275	150.00

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ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NWRS SUMMARY		398	1,025,211 1,2[illegible]755	242,176	704,728.47
NWRS SUMMARY	ACRES/AUM = 4.23	REVENUE/AUM = $2.91	REVENUE/ACRE = $0.69		
ALASKA		1	4,085	1,800	1.50
ARKANSAS		3	8	283	212.00
ARIZONA		1	34,000	1,548	6,480.20
CALIFORNIA		15	221,2[illegible]1 10,692	8,171	38,931.16
COLORADO		16	[illegible],837 32,552	13,280	40,896.62
GEORGIA		0	1,400	150	562.50
IDAHO		18	6,108 11,108	1,906	4,355.97
ILLINOIS		17	2,200	2,893	7,115.39
KANSAS		12	6,400	3,608	10,825.50
LOUISIANA		6	13,605	7,811	3,156.40
MAINE		4	88	126	334.00
MINNESOTA		2	145	860	111.30
MISSOURI		7	557	1,666	3,199.47
MONTANA		33	148,758 713,[illegible]	64,321	147,374.30
NORTH CAROLINA		2	69	387	580.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NORTH DAKOTA		61	16,112	9,192	35,915.55
NEBRASKA		30	73,958	31,263	189,734.85
NEW MEXICO		6	3,366	471	1,413.00
NEVADA		29	562,268	32,569	69,872.13
NEW YORK		2	260	217	433.00
OKLAHOMA		14	3,717	2,862	3,032.00
OREGON		5	995	11,780	32,967.87
PENNSYLVANIA		0	0	0	654.01
SOUTH DAKOTA		41	1,817	3,478	15,157.41
TENNESSEE		3	550	161	193.20
TEXAS		46	74,859	30,955	61,961.50
UTAH		1	640	117	3.51
VIRGINIA		1	6,000	1,800	180.00
VERMONT		1	46	60	60.00
WASHINGTON		18	18,695	8,252	28,705.63
WISCONSIN		2	100	90	160.00
WYOMING		1	1,161	99	148.50
ATLANTIC FLYWAY		10	7,863	2,740	2,803.51

ATLANTIC FLYWAY ACRES/AUM = 2.87 REVENUE/AUM = $1.02 REVENUE/ACRE = $0.36

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
CENTRAL FLYWAY		247	334,649	151,977	470,392.52
CENTRAL FLYWAY	ACRES/AUM = 2.20	REVENUE/AUM = $3.10	REVENUE/ACRE = $1.41		
MISSISSIPPI FLYWAY		40	17,165	13,764	14,147.76
MISSISSIPPI FLYWAY	ACRES/AUM = 1.25	REVENUE/AUM = $1.03	REVENUE/ACRE = $0.82		
PACIFIC FLYWAY		101	665,534	73,695	217,384.68
PACIFIC FLYWAY	ACRES/AUM = 9.03	REVENUE/AUM = $2.95	REVENUE/ACRE = $0.33		
REGION 1 STATION SUMMARY		85	598,758	62,678	174,832.76
REGION 1 STATION SUMMARY	ACRES/AUM = 9.55	REVENUE/AUM = $2.79	REVENUE/ACRE = $0.29		
PAHRANAGAT	1-1531-PHR	1	500	305	8.38
RUBY LAKE	1-1570-RBL	4	0	3,574	10,737.58
STILLWATER	1-1580-STL	14	161,769	11,104	18,923.67
KERN	1-1610-KRN	1	4,451	1,880	9,397.15
HOPPER MT RANCH	1-1611-HMR	1	900	538	1,477.11
PIXLEY	1-1612-PIX	4	3,070	2,653	13,266.90
DELEVAN	1-1622-DEL	1	396	400	1,290.00
KESTERSON	1-1651-KST	1	0	0	0.00
MODOC	1-1671-MDC	7	1,875	2,700	13,500.00
HART MOUNTAIN	1-1673-HTM	0	0	11,048	31,174.88
CHAS SHELDON	1-1674-CSA	10	400,000	17,586	40,202.50
COLUMBIA	1-3510-CMB	3	3,722	208	1,781.40

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
TOPPENISH	1-3521-TPN	7	1,300	2,130	6,922.00
WILLAPA	1-3552-WLP	2	4,650	1,178	2,420.58
COLUMBIAN WHITETAILD DEER	1-3554-CWD	6	513	2,276	8,110.65
TURNBULL	1-3560-TBL	0	8,510	2,460	9,471.00
WILLIAM F. FINLEY	1-4540-WMF	4	992	722	1,759.49
BASKETT SLOUGH	1-4542-BKS	1	3	10	33.50
DEER FLAT	1-4560-DRF	2	140	177	226.80
KOOTENAI	1-4580-KTN	1	115	89	306.06
GRAYS LAKE	1-4612-GYL	6	1,443	792	2,202.06
BEAR LAKE	1-4613-BRL	6	1,500	526	1,051.80
MINIDOKA	1-4614-MND	3	2,910	322	569.25
REGION 2 STATION SUMMARY		67	115,942	35.836	72.886.70
REGION 2 STATION SUMMARY	ACRES/AUM = 3.24	REVENUE/AUM = $2.03	REVENUE/ACRE = $0.63		
ANAHUAC	2-1520-AHC	2	4,000	7.806	9.160.50
ARANSAS	2-1530-ARN	3	25,354	6.950	26,100.00
BRAZORIA	2-1540-BRZ	3	5,000	5.289	7.933.50

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
SAN BERNARD	2-1541-SNB	5	15,729	4,227	6,340.50
LAGUNA ATASCOSA	2-1550-LGA	2	1,415	201	527.00
ATTWATER PRAIRIE CHICKEN	2-1560-ATW	2	6,100	800	7,020.00
BUFFALO LAKE	2-1570-BFL	6	4,322	1,236	3,080.00
HAGERMAN	2-1580-HGR	22	7,130	3,546	0.00
MULESHOE	2-1590-MLS	1	5,809	900	1,800.00
SALT PLAINS	2-1630-SLP	9	3,287	2,646	2,646.00
WICHITA MTS WILDLIFE REFG	2-1670-WMW	5	430	216	386.00
KOFA	2-2570-KGR	1	-0-	0	3,926.00
CABEZA PRIETA	2-2571-CPG	0	34,000	1,548	2,554.20
LAS VEGAS	2-2580-LVS	6	3,366	471	1,413.00
REGION 3 STATION SUMMARY		21	2,445	3,843	7,386.69
REGION 3 STATION SUMMARY	ACRES/AUM = 0.64	REVENUE/AUM = $1.92	REVENUE/ACRE = $3.02		
RICE LAKE	3-2540-RCL	1	100	825	82.50
SHERBURNE	3-2550-SHB	1	45	35	28.80
TREMPEALEAU	3-2571-TPL	2	100	90	160.00
CRAB ORCHARD	3-2610-CRO	17	2,200	2,893	7,115.39

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 4 STATION SUMMARY		14	15,632	8,792	4,704.10
REGION 4 STATION SUMMARY	ACRES/AUM = 1.76	REVENUE/AUM = $0.54	REVENUE/ACRE =	$0.30	
HARRIS NECK	4-1627-HSN	0	1,400	150	562.50
CROSS CREEKS	4-2515-CRK	3	550	161	193.20
PEE DEE	4-2550-PED	2	69	387	580.00
BIG LAKE	4-3515-BGL	2	8	43	12.00
FELSENTHAL	4-3570-FSL	1	0	240	200.00
LACASSINE	4-3610-LCS	1	880	1,060	5.29
SABINE	4-3640-SBN	5	12,725	6,751	3,151.11
REGION 5 STATION SUMMARY		8	6,394	2,203	1,661.01
REGION 5 STATION SUMMARY	ACRES/AUM = 2.90	REVENUE/AUM = $0.75	REVENUE/ACRE =	$0.26	
CHINCOTEAGUE	5-1570-CHN	1	6,000	1,800	180.00
ERIE	5-2520-ERE	0	0	0	654.01
MONTEZUMA	5-2550-MNT	2	260	217	433.00
MISSISQUOI	5-3520-MSQ	1	46	60	60.00
MOOSEHORN	5-3530-MSH	4	88	126	334.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 6 STATION SUMMARY		202	281,955	127,024	443,255.71
REGION 6 STATION SUMMARY	ACRES/AUM = 2.22	REVENUE/AUM = $3.49	REVENUE/ACRE =	$1.57	
CHARLES M. RUSSELL	6-1520-CMR	0	0	54,446	102,902.94
LAKE MILLER	6-1524-MIL	4	7,840	1,944	3,674.16
WAR HORSE	6-1525-WRH	2	111,882	209	395.01
WILD HORSE	6-1526-WLD	1	4,395	120	226.80
YELLOW WATER	6-1527-YLW	4	1,520	506	795.78
MEDICINE LAKE	6-1530-MDL	9	6,370	1,070	5,794.00
RED ROCK LAKES	6-1570-RRL	13	16,751	6,026	33,585.61
ARROWWOOD	6-2510-ARD	7	0	0	5,471.32
ARROWWOOD W.M.D.	6-2530-ARW	6	0	0	1,118.47
AUDUBON	6-2540-ADB	2	632	146	608.53
AUDUBON W.M.D.	6-2554-ADW	5	0	1,656	1,168.85
J. CLARK SALYER	6-2620-JCS	11	6,592	1,840	7,689.46
J. CLARK SALYER W.M.D.	6-2629-JCW	2	79	852	283.53
KULM W.M.D.	6-2630-KLW	20	3,340	1,875	7,835.63
TEWAUKON W.M.D.	6-2664-TKW	1	40	59	186.76
UPPER SOURIS	6-2680-USR	7	5,429	2,764	11,553.00
MINGO	6-3540-MNG	7	557	1,666	3,199.47
QUIVIRA	6-3550-QVR	12	6,400	3,608	10,825.50

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
CRESCENT LAKE	6-4510-CRL	10	28,892	8,493	54,529.67
FORT NIOBRARA	6-4520-FTN	1	212	58	342.78
VALENTINE	6-4521-VLT	19	44,854	22,712	134,862.40
LACREEK	6-4540-LCK	10	0	2,643	12,387.08
LAKE ANDES	6-4550-LAN	1	39	39	1.75
LAKE ANDES W.M.D.	6-4551-LAW	13	852	0	24.84
KARL MUNDT	6-4552-KMN	1	144	100	3.74
MADISON W.M.D.	6-4560-MDW	16	782	696	2,740.00
ALAMOSA	6-5510-ALM	4	6,256	6,400	19,871.84
ARAPAHO	6-5520-ARP	7	8.365	4,698	15,919.68
BAMFORTH	6-5521-BMF	1	1,161	99	148.50
BROWNS PARK	6-5550-BRP	0	11,300	1,526	2,481.10
MONTE VISTA	6-5560-MTV	5	6,631	656	2,624.00
OURAY	6-5570-ORY	1	640	117	3.51
ALASKA AREA SUMMARY		1	4,085	1,800	1.50
ALASKA AREA SUMMARY	ACRES/AUM = 2.27	REVENUE/AUM = $0.00	REVENUE/ACRE = $0.00		
ALT. IS. (E. OF UNIMAK)	7-2551-EAL	1	4,085	1,800	1.50

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ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NWRS SUMMARY		725	2,120,333	338,675	830,596.83
NWRS SUMMARY	ACRES/AUM = 6.26	REVENUE/AUM =	$2.45 REVENUE/ACRE =	$0.39	
ALASKA		1	4,085	1,800	150.00
ALABAMA		2	225	1,350	0.00
ARKANSAS		2	8	43	12.00
ARIZONA		2	221,000	3,348	5,055.48
CALIFORNIA		19	20,926	10,032	36,354.89
COLORADO		24	32,371	12,447	33,887.80
FLORIDA		2	2,680	500	402.00
GEORGIA		1	1,400	150	562.50
HAWAII		3	385	3,711	4,638.75
IDAHO		35	13,727	5,212	13,590.50
ILLINOIS		23	2,600	4,002	7,503.17
KANSAS		12	6,400	3,595	10,785.00
LOUISIANA		6	13,605	7,726	4,265.00
MAINE		5	88	86	265.00
MINNESOTA		3	185	138	145.00
MISSOURI		8	557	1,816	2,726.78

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
MONTANA		138	706,583	75,390	123,897.93
NORTH CAROLINA		3	112	488	408.00
NORTH DAKOTA		115	35,635	17,507	56,108.74
NEBRASKA		32	75,591	28,220	151,423.91
NEW MEXICO		8	3,520	554	1,081.00
NEVADA		30	575,668	29,069	61,392.27
NEW YORK		9	774	1,065	2,130.00
OKLAHOMA		14	3,794	2,829	2,821.00
OREGON		60	288,243	73,370	200,580.21
SOUTH CAROLINA		1	2	12	6.00
SOUTH DAKOTA		81	8,485	5,338	25,468.36
TENNESSEE		3	55	161	193.20
TEXAS		43	74,305	35,175	50,851.00
VIRGINIA		1	6,000	1,800	180.00
VERMONT		1	46	60	60.00
WASHINGTON		35	20,017	11,527	33,392.84
WISCONSIN		2	100	55	110.00
WYOMING		1	1,161	99	148.50
ATLANTIC FLYWAY		23	11,102	4,161	4,013.50

ATLANTIC FLYWAY ACRES/AUM = 2.67 REVENUE/AUM = $0.96 REVENUE/ACRE = $0.36

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
CENTRAL FLYWAY		451	914,424	170,966	417,197.16
CENTRAL FLYWAY	ACRES/AUM = 5.35	REVENUE/AUM =	$2.44 REVENUE/ACRE =	$0.46	
MISSISSIPPI FLYWAY		48	17,295	15,269	14,905.15
MISSISSIPPI FLYWAY	ACRES/AUM = 1.13	REVENUE/AUM =	$0.98 REVENUE/ACRE =	$0.86	
PACIFIC FLYWAY		203	1,177,512	148,279	394,481.02
PACIFIC FLYWAY	ACRES/AUM = 7.94	REVENUE/AUM =	$2.66 REVENUE/ACRE =	$0.34	
REGION 1 STATION SUMMARY		182	918,966	132,921	349,949.46
REGION 1 STATION SUMMARY	ACRES/AUM = 6.91	REVENUE/AUM =	$2.63 REVENUE/ACRE =	$0.38	
PAHRANAGAT	1-1531-PHR	1	500	125	343.75
RUBY LAKE	1-1570-RBL	4	13,400	5,086	14,983.56
STILLWATER	1-1580-STL	15	161,768	12,534	20,178.69
KERN	1-1610-KRN	1	4,451	403	2,010.35
HOPPER MT RANCH	1-1611-HMR	1	900	546	1,501.50
PIXLEY	1-1612-PIX	4	2,950	1,757	8,785.30
DELEVAN	1-1622-DEL	1	396	400	811.00
KLAMATH FOREST	1-1662-KLF	2	4,930	2,600	7,200.00
LOWER KLAMATH	1-1663-LKL	5	9,425	3,596	9,007.54
UPPER KLAMATH	1-1665-UKL	1	2,360	204	714.00
HANALEI	1-2522-HAL	2	227	3,007	3,758.75
HULEIA	1-2523-HUL	1	158	704	880.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
COLUMBIA	1-3510-CMB	2	7,579	252	1,648.64
TOPPENISH	1-3521-TPN	6	1,300	1,800	6,000.00
RIDGEFIELD	1-3551-RDG	3	1,659	3,529	7,058.70
WILLAPA	1-3552-WLP	2	465	1,072	2,142.16
COLUMBIAN WHITETAILD DEER	1-3554-CWD	10	504	2,254	6,947.34
TURNBULL	1-3560-TBL	12	8,510	2,620	9,596.00
MALHEUR	1-4510-MLH	47	54,243	53,634	162,598.31
MODOC	1-4521-MDC	7	2,804	3,330	14,239.20
HART MOUNTAIN	1-4523-HTM	6	225,980	15,970	27,398.03
CHAS SHELDON	1-4524-CSA	10	400,000	11,324	25,886.27
WILLIAM F. FINLEY	1-4540-WMF	3	727	948	2,622.97
BASKETT SLOUGH	1-4542-BKS	1	3	14	46.90
CAMAS	1-4550-CMS	13	8,355	2,341	8,666.04
DEER FLAT	1-4560-DRF	5	202	351	406.50
GRAYS LAKE	1-4570-GYL	7	1,350	1,412	2,213.62
BEAR LAKE	1-4571-BRL	6	800	765	1,517.24
KOOTENAI	1-4580-KTN	1	110	107	374.15
MINIDOKA	1-4590-MND	3	2,910	236	412.95

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 2 STATION SUMMARY		67	302,619	41,906	59,808.48
REGION 2 STATION SUMMARY	ACRES/AUM = 7.22	REVENUE/AUM = $1.43	REVENUE/ACRE = $0.20		
ANAHUAC	2-1520-AHC	2	4,000	6,645	6,645.00
ARANSAS	2-1530-ARN	3	25,354	6,950	12,825.00
BRAZORIA	2-1540-BRZ	3	5,000	4,705	7,057.50
SAN BERNARD	2-1541-SNB	4	15,729	5,569	8,353.50
LAGUNA ATASCOSA	2-1550-LGA	1	1,385	200	225.00
ATTWATER PRAIRIE CHICKEN	2-1560-ATW	1	5,576	5,400	10,800.00
BUFFALO LAKE	2-1570-BFL	6	4,322	1,260	3,145.00
HAGERMAN	2-1580-HGR	22	7,130	3,546	0.00
MULESHOE	2-1590-MLS	1	5,809	900	1,800.00
SALT PLAINS	2-1630-SLP	9	3,364	2,741	2,741.00
WICHITA MTS WILDLIFE REFG	2-1670-WMW	5	430	88	80.00
KOFA	2-2570-KGR	1	187,000	1,800	2,718.00
CABEZA PRIETA	2-2571-CPG	1	34,000	1,548	2,337.48
LAS VEGAS	2-2580-LVS	7	3,500	546	1,065.00
MAXWELL	2-2581-MXL	1	20	8	16.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 3 STATION SUMMARY		28	2,885	4,195	7,758.17
REGION 3 STATION SUMMARY	ACRES/AUM = 0.69	REVENUE/AUM = $1.85	REVENUE/ACRE = $2.69		
RICE LAKE	3-2540-RCL	1	100	81	81.00
SHERBURNE	3-2550-SHB	1	45	35	14.00
TREMPEALEAU	3-2571-TPL	2	100	55	110.00
FERGUS FALLS W.M.D.	3-2585-FFW	1	40	22	50.00
CRAB ORCHARD	3-2610-CRO	23	2,600	4,002	7,503.17
REGION 4 STATION SUMMARY		20	18,087	10,430	5,848.70
REGION 4 STATION SUMMARY	ACRES/AUM = 1.73	REVENUE/AUM = $0.56	REVENUE/ACRE = $0.32		
CHASSAHOWITZKA	4-1510-CHS	2	2,680	500	402.00
HARRIS NECK	4-1627-HSN	1	1,400	150	562.50
CROSS CREEKS	4-2515-CRK	3	55	161	193.20
CAROLINA SANDHILLS	4-2520-CRS	1	2	12	6.00
PEE DEE	4-2550-PED	3	112	488	408.00
BIG LAKE	4-3515-BGL	2	8	43	12.00
EUFAULA	4-3560-EFL	2	225	1,350	0.00
LACASSINE	4-3610-LCS	1	880	1,270	635.00
SABINE	4-3640-SBN	5	12,725	6,456	3,630.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 5 STATION SUMMARY		16	6,908	3,011	2,635.00
REGION 5 STATION SUMMARY	ACRES/AUM = 2.29	REVENUE/AUM = $0.88	REVENUE/ACRE = $0.38		
CHINCOTEAGUE	5-1570-CHN	1	6,000	1,800	180.00
IROQUOIS	5-2540-IRQ	7	494	806	1,612.00
MONTEZUMA	5-2550-MNT	2	280	259	518.00
MISSISQUOI	5-3520-MSQ	1	46	60	60.00
MOOSEHORN	5-3530-MSH	5	88	86	265.00
REGION 6 STATION.SUMMARY		411	866,783	144,412	404,447.02
REGION 6 STATION SUMMARY	ACRES/AUM = 6.00	REVENUE/AUM = $2.80	REVENUE/ACRE = $0.47		
BENTON LAKE	6-1510-BNL	1	148	60	77.01
CHARLES M. RUSSELL	6-1520-CMR	92	650,000	60,000	69,057.00
LAKE MASON	6-1523-LKM	8	11,740	3,274	5,303.88
WAR HORSE	6-1525-WRH	2	798	229	370.98
WILD HORSE	6-1526-WLD	1	760	100	162.00
YELLOW WATER	6-1527-YLW	2	1,520	402	651.24
UL BEND	6-1528-ULB	1	10,550	1,475	4,425.00
MEDICINE LAKE	6-1530-MDL	12	8,180	1,275	6,915.94
RED ROCK LAKES	6-1570-RRL	13	22,013	8,400	36,606.57
BOWDOIN	6-1580-BWD	6	874	175	328.31

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
ARROWWOOD	6-2510-ARD	9	2,543	2,010	3,972.92
LONG LAKE	6-2522-LNL	18	4,019	2,049	7,169.78
ARROWWOOD W.M.D.	6-2530-ARW	9	520	280	896.46
AUDUBON	6-2540-ADB	2	182	182	658.00
AUDUBON W.M.D.	6-2554-ADW	2	500	294	995.50
CROSBY W.M.D.	6-2560-CBW	0	0	0	3,481.60
DES LACS	6-2570-DSL	6	1,367	1,050	3,301.12
LAKE ILO	6-2571-ILO	2	765	236	750.38
LOSTWOOD	6-2572-LST	8	8,561	3,583	10,867.80
J. CLARK SALYER	6-2620-JCS	24	7,155	4,135	13,336.63
J. CLARK SALYER W.M.D.	6-2629-JCW	3	178	181	216.16
KULM W.M.D.	6-2630-KLW	24	4,037	1,218	3,246.05
TEWAUKON W.M.D.	6-2664-TKW	1	106	63	137.34
UPPER SOURIS	6-2680-USR	7	5,702	2,226	7,079.00
MINGO	6-3540-MNG	8	557	1,816	2,726.78
QUIVIRA	6-3550-QVR	12	6,400	3,595	10,785.00
CRESENT LAKE	6-4510-CRL	11	25,782	9,590	51,888.74
FORT NIOBRARA	6-4520-FTN	1	212	55	284.73
VALENTINE	6-4521-VLT	20	49,597	18,575	99,250.44
LACREEK	6-4540-LCK	11	4,348	1,643	7,456.42

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
LAKE ANDES	6-4550-LAN	2	395	395	1,982.90
LAKE ANDES W.M.D.	6-4551-LAW	51	3,042	2,567	12,886.34
MADISON W.M.D.	6-4560-MDW	16	610	643	2,735.90
SAND LAKE W.M.D.	6-4572-SDW	1	90	90	406.80
ALAMOSA	6-5510-ALM	4	6,256	5,137	14,681.00
ARAPAHO	6-5520-ARP	8	8,365	4,781	14,343.90
BAMFORTH	6-5521-BMF	1	1,161	99	148.50
MONTE VISTA	6-5560-MTV	8	6,450	779	2,220.40
BROWNS PARK	6-5571-BRP	4	11,300	1,750	2,642.50
ALASKA AREA SUMMARY		1	4,085	1,800	150.00
ALASKA AREA SUMMARY	ACRES/AUM = 2.27	REVENUE/AUM = $0.08	REVENUE/ACRE = $0.04		
ALT. IS. (E. OF UNIMAK)	7-2551-EAL	1	4,085	1,800	150.00

FURBEARERS AND SURPLUS ANIMAL SUMMARY
FY-78

ORGANIZATIONAL LEVEL	STATION NUMBER	- - - - - - FURBEARERS - - - - - -			- - - - - SURPLUS ANIMALS - - - - -		
		NUMBER OF PERMITTEES	NUMBER OF PELTS	REVENUE (DOLLARS)	NUMBER OF PERMITTEES	NUMBER OF ANIMALS	REVENUE (DOLLARS)
NWRS SUMMARY		1,813	226,965	$73,709.00	135	10,647	$298,284.00
CALIFORNIA		8	2,641	$1,306.00	0	0	$0.00
DELAWARE		8	2,715	$8,097.00	0	0	$0.00

ORGANIZATIONAL LEVEL	STATION NUMBER	FURBEARERS NUMBER OF PERMITTEES	FURBEARERS NUMBER OF PELTS	FURBEARERS REVENUE (DOLLARS)	SURPLUS ANIMALS NUMBER OF PERMITTEES	SURPLUS ANIMALS NUMBER OF ANIMALS	SURPLUS ANIMALS REVENUE (DOLLARS)
IOWA		168	23,516	$754.00	0	0	$0.00
ILLINOIS		253	15,636	$1,147.00	0	0	$0.00
LOUISIANA		14	16,902	$18,661.00	0	0	$0.00
MARYLAND		12	3,859	$15,081.00	3	10,000	$0.00
MICHIGAN		3	762	$1,749.00	0	0	$0.00
MINNESOTA		14	403	$732.00	0	0	$0.00
MONTANA		1	498	$1,784.00	0	89	$44,282.00
NORTH DAKOTA		11	463	$1,443.00	17	14	$3,290.00
NEBRASKA		0	0	$0.00	47	120	$64,340.00
NEW JERSEY		9	202	$842.00	0	0	$0.00
NEVADA		4	2,040	$1,589.00	1	236	$36,180.00
NEW YORK		3	1,311	$30.00	0	0	$0.00
OHIO		1	195	$647.00	0	0	$0.00
OKLAHOMA		0	0	$0.00	67	188	$150,192.00
OREGON		2	0	$0.00	0	0	$0.00
SOUTH DAKOTA		8	345	$865.00	0	0	$0.00
UTAH		0	950	$3,458.00	0	0	$0.00
VIRGINIA		2	500	$43.00	0	0	$0.00
WISCONSIN		1,292	154,027	$15,476.00	0	0	$0.00
ATLANTIC FLYWAY		34	8,587	$24,094.00	3	10,000	$0.00
CENTRAL FLYWAY		22	1,435	$4,824.00	131	323	$218,197.00

GRAZING SUMMARY

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
NWRS SUMMARY		1,175	2,317,848	464.705	896,992.60
NWRS SUMMARY	ACRES/AUM = 4.99	REVENUE/AUM = $1.93	REVENUE/ACRE = $0.39		
ALASKA		1	4,085	1.800	150.00
ALABAMA		2	225	1.350	0.00
ARKANSAS		2	9	43	12.00
ARIZONA		2	221,291	3.348	5,055.48
CALIFORNIA		20	22,340	10.207	34,146.74
COLORADO		27	35,674	20.933	45,145.22
FLORIDA		2	2.680	500	402.00
GEORGIA		1	1,400	150	562.50
HAWAII		3	385	3.711	4,638.75
IDAHO		34	10,865	7.774	14,345.94
ILLINOIS		40	2,489	3.699	7.701.44
KANSAS		12	6,400	3.505	10,515.00
LOUISIANA		6	12,805	7.622	3,886.05
MAINE		2	80	172	330.00
MINNESOTA		3	176	236	234.75
MISSOURI		9	557	1.555	2.503.17

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
MONTANA		143	797,525	75.997	146,195.87
NORTH CAROLINA		4	172	788	668.00
NORTH DAKOTA		109	35,426	15.721	42,687.65
NEBRASKA		21	71,040	29.028	149,325.62
NEW MEXICO		7	3,559	550	1,099.00
NEVADA		29	658,168	39.853	81,790.17
REGION 1 STATION SUMMARY		197	1,029,741	259.135	416,809.13
REGION 1 STATION SUMMARY	ACRES/AUM = 3.97	REVENUE/AUM =	$1.61 REVENUE/ACRE =	$0.40	
PAHRANAGAT	1-1531-PHR	1	3.000	880	1,980.48
RUBY LAKE	1-1570-RBL	4	13,400	5,411	15.674.81
STILLWATER	1-1580-STL	14	161.768	12,472	15.923.49
KERN	1-1610-KRN	1	4,451	756	3.299.63
HOPPER MT RANCH	1-1611-HMR	2	900	873	2.400.56
PIXLEY	1-1612-PIX	4	2,950	1,333	5.811.63
SACRAMENTO	1-1620-SAC	1	5,780	355	1,241.91
COLUSA	1-1621-CLS	1	710	421	1,472.03
DELEVAN	1-1622-DEL	1	95	189	661.05
KLAMATH FOREST	1-1662-KLF	3	4,370	3.387	6.774.08
LOWER KLAMATH	1-1663-LKL	3	4,650	2.950	4.424.85

ORGANIZATION LEVEL	STATION NUMBER	NUMBER CF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
HANALEI	1-2522-HAL	2	227	3,007	3,758.75
HULEIA	1-2523-HUL	1	158	704	880.00
COLUMBIA	1-3510-CMB	6	13,440	2,190	3,158.99
TOPPENISH	1-3521-TPN	6	1,300	1,795	5,834.00
RIDGEFIELD	1-3551-RDG	4	1,839	3,217	6,434.02
WILLAPA	1-3552-WLP	2	465	99,517	1,990.34
COLUMBIAN WHITETAILD DEER	1-3554-CWD	10	942	5,076	13,061.52
TURNBULL	1-3560-TBL	12	8,510	2,134	74.70
MALHEUR	1-4510-MLH	56	69,480	66,870	183,892.50
MODOC	1-4521-MDC	7	2,804	3,330	14,835.08
HART MOUNTAIN	1-4523-HTM	6	236,319	12,519	58,614.28
NEW YORK		9	774	994	1,988.00
OKLAHOMA		470	4,244	2,827	2,854.00
OREGON		71	311,487	83,661	251,333.96
SOUTH CAROLINA		1	2	12	6.00
SOUTH DAKOTA		52	6,916	3,640	15,464.81
TENNESSEE		3	55	191	226.80
TEXAS		41	61,909	27,332	38,375.74
UTAH		3	9,770	1,068	1,612.68
VIRGINIA		1	6,000	1,800	180.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
VERMONT		1	56	60	60.00
WASHINGTON		40	26,496	113,929	30,553.57
WISCONSIN		2	285	174	125.01
WYOMING		2	2,503	475	2,816.68
ATLANTIC FLYWAY		21	11,164	4,476	4,196.50
ATLANTIC FLYWAY	ACRES/AUM = 2.49	REVENUE/AUM = $0.94	REVENUE/ACRE =	$0.38	
CENTRAL FLYWAY		860	993,033	169,338	409,761.68
CENTRAL FLYWAY	ACRES/AUM = 5.86	REVENUE/AUM = $2.42	REVENUE/ACRE =	$0.41	
MISSISSIPPI FLYWAY		67	16,601	14,870	14,689.22
MISSISSIPPI FLYWAY	ACRES/AUM = 1.12	REVENUE/AUM = $0.99	REVENUE/ACRE =	$0.88	
PACIFIC FLYWAY		227	1,297,050	276,021	468,345.20
PACIFIC FLYWAY	ACRES/AUM = 4.70	REVENUE/AUM = $1.70	REVENUE/ACRE =	$0.36	
CHAS SHLDN ANTELOPE RANGE	1-4524-CSA	10	480,000	21,090	48,211.39
WILLIAM F. FINLEY	1-4540-WMF	5	715	870	2,002.85
BASKETT SLOUGH	1-4542-BKS	1	3	15	50.25
CAMAS	1-4550-CMS	16	5,650	4,684	11,241.34
DEER FLAT	1-4560-DRF	2	140	423	523.00
GRAYS LAKE	1-4570-GYL	7	1,350	1,950	1,224.81
BEAR LAKE	1-4571-BRL	3	400	269	269.41
KOOTENAI	1-4580-KTN	3	415	177	658.23
MINIDOKA	1-4590-MND	3	2,910	271	429.15

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 2 STATION SUMMARY		520	291,003	34.057	47,384.22
REGION 2 STATION SUMMARY	ACRES/AUM = 8.54	REVENUE/AUM = $1.39	REVENUE/ACRE = $0.16		
ANAHUAC	2-1520-AHC	2	4,000	4,380	4,380.00
ARANSAS	2-1530-ARN	1	7,568	4.200	8,400.00
BRAZORIA	2-1540-BRZ	3	5,000	4,615	6,923.00
SAN BERNARD	2-1541-SNB	3	15,000	5,954	8,931.00
LAGUNA ATASCOSA	2-1550-LGA	3	11,246	1,046	2,353.44
ATTWATER PRAIRIE CHICKEN	2-1560-ATW	1	1,945	1,761	3,522.80
BUFFALO LAKE	2-1570-BFL	6	4,322	912	2,065.50
HAGERMAN	2-1580-HGR	21	7,019	3.564	0.00
MULESHOE	2-1590-MLS	1	5,809	900	1,800.00
SALT PLAINS	2-1630-SLP	9	3,364	2,741	2,741.00
TISHOMINGO	2-1650-TSM	1	420	54	81.00
WICHITA MTS WILDLIFE REFG	2-1670-WMW	460	460	32	32.00
KOFA GAME RANGE	2-2570-KGR	1	187,291	1.800	2,718.00
CABEZA PRIETA GAME RANGE	2-2571-CPG	1	34.000	1,548	2,337.48
LAS VEGAS	2-2580-LVS	5	3,539	538	1,075.00
MAXWELL	2-2561-MXL	1	20	12	24.00

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 3 STATION SUMMARY		45	2,950	4,109	8,061.20
REGION 3 STATION SUMMARY ACRES/AUM = 0.72		REVENUE/AUM = $1.96	REVENUE/ACRE = $2.73		
HORICON	3-2520-HRC	2	285	174	125.01
RICE LAKE	3-2540-RCL	1	100	106	106.00
SHERBURNE	3-2550-SHB	1	51	100	80.00
BENSON WETLAND MGT DIST	3-2581-BNW	1	25	30	48.75
CRAB ORCHARD	3-2610-CRO	40	2,489	3,699	7,701.44
REGION 4 STATION SUMMARY		21	17,348	10,656	5,763.35
REGION 4 STATION SUMMARY ACRES/AUM = 1.63		REVENUE/AUM = $0.54	REVENUE/ACRE = $0.33		
CHASSAHOWITZKA	4-1510-CHS	2	2,680	500	402.00
HARRIS NECK	4-1627-HSN	1	1,400	150	562.50
CROSS CREEKS	4-2515-CRK	3	55	191	226.80
CAROLINA SANDHILLS	4-2520-CRS	1	2	12	6.00
PEE DEE	4-2550-PED	3	112	548	548.00
PUNGO	4-2560-PNG	1	60	240	120.00
BIG LAKE	4-3515-BGL	2	9	43	12.00
EUFAULA	4-3560-EFL	2	225	1,350	0.00
LACASSINE	4-3610-LCS	1	80	1,670	835.00
SABINE	4-3640-SBN	5	12,725	5,952	3,051.05

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
REGION 5 STATION SUMMARY		13	6,910	3,026	2,558.00
REGION 5 STATION SUMMARY	ACRES/AUM = 2.28	REVENUE/AUM = $0.85	REVENUE/ACRE = $0.37		
CHINCOTEAGUE	5-1570-CHN	1	6,000	1,800	180.00
IROQUOIS	5-2540-IRQ	7	494	731	1,462.00
MONTEZUMA	5-2550-MNT	2	280	263	526.00
MISSISQUOI	5-3520-MSQ	1	56	60	60.00
MOOSEHORN	5-3530-MSH	2	80	172	330.00
REGION 6 STATION SUMMARY		378	965,811	151,922	416,266.70
REGION 6 STATION SUMMARY	ACRES/AUM = 6.36	REVENUE/AUM = $2.74	REVENUE/ACRE = $0.43		
BENTON LAKE	6-1510-BNL	8	148	30	1,130.09
CHARLES M. RUSSELL	6-1520-CMR	90	742,842	60,021	90,125.41
LAKE MASON	6-1523-LKM	8	11,740	3,274	5,303.88
WAR HORSE	6-1525-WRH	3	1,558	329	532.98
YELLOW WATER	6-1527-YLW	2	1,520	402	651.24
UL BEND	6-1528-ULB	1	10,550	1,475	4,425.00
MEDICINE LAKE	6-1530-MDL	14	9,400	1,608	5,628.63
NATIONAL BISON RANGE	6-1540-NBR	1	40	5	85.00
RED ROCK LAKES	6-1570-RRL	12	19,333	8,459	38,116.64
BOWDOIN	6-1580-BWD	4	394	394	197.00
ARROWWOOD	6-2510-ARD	10	1,800	1,180	3,914.63

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
LONG LAKE	6-2522-LNL	17	3,200	1,810	4,905.50
ARROWWOOD W.M.D.	6-2530-ARW	8	504	535	2,000.58
AUDUBON	6-2540-ADB	2	235	360	0.00
LAKE NETTIE	6-2546-LNT	2	690	92	140.00
MCLEAN	6-2549-MCL	1	35	61	170.00
AUDUBON W.M.D.	6-2554-ADW	4	580	260	487.00
CROSBY W.M.D.	6-2560-CBW	1	80	23	80.02
DES LACS	6-2570-DSL	6	1,315	694	1,943.92
LAKE ILO	6-2571-ILO	2	765	244	683.29
LOSTWOOD	6-2572-LST	6	7,175	3,235	9,057.49
J. CLARK SALYER	6-2620-JCS	28	10,000	2,978	8,017.42
KULM W.M.D.	6-2630-KLW	10	2,836	1,042	2,391.00
TEWAUKON W.M.D.	6-2664-TKW	5	266	261	469.80
UPPER SOURIS	6-2680-USR	7	5,945	2,946	8,427.00
MINGO	6-3540-MNG	9	557	1,555	2,503.17
QUIVIRA	6-3550-QVR	12	6,400	3,505	10,515.00
CRESENT LAKE	6-4510-CRL	11	31,020	13,064	66,158.02
FORT NIOBRARA	6-4520-FTN	1	212	60	306.60
VALENTINE	6-4521-VLT	9	39,808	15,904	82,861.00
LACREEK	6-4540-LCK	13	4,348	1,644	7,165.80

ORGANIZATION LEVEL	STATION NUMBER	NUMBER OF PERMITTEES	ACRES	ANIMAL UNIT MONTHS (AUMS)	REVENUE (DOLLARS)
LAKE ANDES W.M.D.	6-4551-LAW	18	926	582	2,760.00
MADISON W.M.D.	6-4560-MDW	13	757	605	2,265.50
SAND LAKE	6-4570-SDL	4	361	361	1,696.81
SAND LAKE W.M.D.	6-4572-SDW	3	234	208	1,076.70
WAUBAY	6-4590-WBY	1	290	240	500.00
ALAMOSA	6-5510-ALM	4	8,656	6,818	12,321.40
ARAPAHO	6-5520-ARP	8	8,365	8,121	24,364.42
BAMFORTH	6-5521-BMF	1	1,161	99	148.50
MONTE VISTA	6-5560-MTV	13	7,353	4,194	5,741.40
OURAY	6-5570-ORY	3	9,770	1,068	1,612.68
BROWNS PARK	6-5571-BRP	2	11,300	1,800	2,718.00
SEEDSKADEE	6-5580-SKD	1	1,342	376	2,668.18
ALASKA AREA SUMMARY		1	4,085	1,800	150.00

ALASKA AREA SUMMARY ACRES/AUM = 2.27 REVENUE/AUM = $0.08 REVENUE/ACRE = $0.04

ALT. IS. (E. OF UNIMAK)	7-2551-EAL	1	4,085	1,800	150.00

National Aquarium

Question: The 1982 Conference Report provided no funds for the operation of the National Aquarium and provided that the stock of the aquarium is to be distributed to aquariums following normal surplus property disposal procedures. Was the stock offered to other aquariums as directed?

Answer: All reportable stock located at the National Aquarium was reported January 20, 1982, on Standard Form 120, Report of Excess Property. All items offered were claimed by DOI/FWS facilities and, therefore, were not reported as excess to GSA. The living stock is not considered reportable property (CFR 101-43.306). However, any stock which is excess to Service needs must be made available to potential users through the property disposal procedures listed in CFR 101-43.318.2. The Service was responsive to the suggestions of the National Aquarium Society concerning formulation of a memorandum of agreement which included loan of the specimens to the Society. Because of our concern for the health of the living display specimens and the cost involved in relocating them, the living stock was loaned to the Society. The living stock remains Service property and was never declared excess.

Question: What is the name of the aquarium now housed in the Department of Commerce Building?

Answer: The aquarium now housed in the basement of the Department of Commerce Building is known as the National Aquarium.

Question: What is the legal authority for use of that title "National"?

Answer: The Aquarium facility is currently operated by a private, nonprofit, charitable institution called the National Aquarium Society. Such an organization requires no special, legal authority to name itself or any facility it operates. The Service was not involved in the decision to name the Society or the Aquarium.

Question: What are the terms of the rental arrangement between the National Aquarium Society and the GSA?

Answer: The terms of the rental arrangement are provided in the Memorandum of Agreement among the Service, GSA, and the Society. The Service relinquished the space for the Aquarium to GSA effective February 28, 1982. GSA and the Society negotiated the terms under which a revocable license was issued permitting the Society to use that portion of the Commerce Department basement for an indefinite period commencing March 1, 1982. The Service is not party to that license.

Question: How much does the Department of Commerce pay for equivalent space in the same building? Please provide a complete report on this facility for the record.

Answer: GSA has custody and control of the Commerce Department building and is responsible for decisions regarding assignment of space and assessment of user rates.

Prior to March 1, 1982, when the FWS operated the Aquarium, the total assigned space was 6,320 square feet. Because of the special equipment and environmental requirements of the display specimens, GSA classified that space as "conference/ training space." The annual user rate for space of this classification, in this locality, is $16.19 per square foot. Since this rate applies regardless of the agency, the Department of Commerce would also pay $16.19/square foot for similar space in the same building.

National Wildlife Health Laboratory

Question: In migratory bird research, you are requesting two increases and two decreases, with a net reduction of 106 thousand dollars (pp. 59, 80). The major reduction is the closure of the National Wildlife Health Laboratory in Madison, Wisconsin.

Is this the only FWS facility capable of doing wildlife disease research?

Answer: This is the only Service facility capable of doing the broad range of wildlife disease research required on infectious disease. The broad range includes the ability to isolate viruses exclusively found in ducks, geese, and swans, and to conduct growth and survival studies on bacterial diseases. This laboratory has containment devices that prevent escape of these agents from the facility.

Question: You have a number of other wildlife labs and centers, about five, I believe. Will the wildlife disease diagnostic work be shifted to those facilities?

Answer: We have three other wildlife research laboratories. None of these facilities can be utilized for wildlife disease diagnostic work because of the possibility of infection. Some of the wildlife disease diagnostic work can be shifted to fishery laboratories. Other diagnostic work cannot be moved without new construction of specialized laboratory facilities. Disease specialists present at Madison could be transferred to a new site.

Question: Why was this individual lab selected for closure?

Answer: Significant budget reductions for migratory bird research and mammals and non-migratory bird research in FY 82 and reductions in FY 83 required a difficult examination of the distribution and use of these research funds. Therefore, in order for other research elements to function in an effective manner, it was decided that it would be preferable to close one facility completely rather than operate all at an unacceptably and inefficiently reduced level. In addition: (1) the tight isolation facilities that would make the laboratory fully functional have not been constructed; (2) the laboratory is not fully staffed; (3) the research and diagnostic work takes specialized equipment not available in other Service laboratories; and (4) only a small portion of the budget is used in research. We also believe that some of the activity can be undertaken by certain universities and outside disease laboratories.

Question: I understand that this lab is not completely constructed yet. How much will it cost to complete it and what needs to be done?

Answer: The main building at the National Wildlife Health Laboratory will be completed in December 1982. Completion of the laboratory complex requires construction of tight isolation facilities. Funds for these facilities have not been appropriated. Current construction costs of these facilities are estimated at $2.86M.

Question: Is the Service currently using a tight isolation research facility at the University of Wisconsin?

What are the long term prospects for continuing to use this facility?

Answer: The laboratory has had limited and unpredictable access to the tight isolation facilities of the University of Wisconsin, but National Wildlife Health Laboratory use becomes increasingly difficult as the University of Wisconsin's needs increase. The completion of the University's veterinary school in the next 12 months makes any long-term use by the National Wildlife Health Laboratory most unlikely.

Facility Maintenance Needs

Question: Your research facility maintenance program is budgeted at a level of 200 thousand dollars (p. 96). However, your justification states that you have a backlog of 400 thousand dollars of research facility maintenance work that needs to be done. Why do you knowingly request only half of the known maintenance projects? What are the unfunded projects?

Answer: We believe the proper way to deal with the $400,000 backlog of minor rehabilitation and cyclical maintenance items is by establishing a priority list and timetable for completion and then to accomplish these projects and newly occurring ones over a 2 or 3 year period. The identified needs that will not be accomplished in FY 1983 are as follows:

60K - additional work needed to upgrade animal care facilities at the Denver Wildlife Research Center to fully meet standards of the Animal Welfare Act.

100K - replacement of furnace system and drop ceiling; renovation of walls-insulation and paneling; roof repair and gutters at Gainesville, Florida.

40K repairs to water system and fences, grounds maintenance, and residence roof repair, at San Simeon, California.

Blackbird Damage Control

Question: What is the status of ADC operations in the Southeast on blackbirds?

Answer: The Service is continuing its blackbird damage control efforts in the Southeast this fiscal year; however, at a slightly reduced level because of the 4 percent reduction in the final appropriations bill. In Fiscal Year 1983, the Service will reduce blackbird damage control efforts in Arkansas and Louisiana from

$267,000 to $242,000; however, no other reductions are proposed for the Southeast.

Aquaculture

Question: Please provide for the record a detailed summary of FWS activities in support of aquaculture

Answer: The Fish and Wildlife Service conducts extensive programs of fish culture research and development and fish production to support Federal resource management objectives. These programs also produce benefits directly applicable to the needs of the aquaculture industry. Included are activities such as continuing efforts in identification, prevention, and control of fish disease pathogens; research and development of nutritious fish diets; research and development of fish cultural systems, techniques, and devices; and registration of drugs and chemicals needed by aquaculturists. Also, the Service is continuing studies of fish genetics, including the practical application of genetics in fish breeding; developing water reuse systems; and evaluating the aquaculture potential and possible environmental impact of exotic species.

The Service continues to conduct both an aquaculture training program which is available to Federal, State, private, and foreign individuals, and extension efforts at the Fish Farming Experimental Station and elsewhere.

Although no funds have been appropriated specifically to implement the National Aquaculture Act of 1980, the Service has increased emphasis on some existing programs and, to the extent feasible with base funds, has begun several new activities. Of high importance is the transfer of technical information to users, such as private aquaculturists, extension workers, and researchers. To do this, the Service has established an aquaculture clearinghouse and has stepped up publication of user-oriented bulletins. We are cooperating closely with the Cooperative Extension network for distribution of aquaculture literature down to the county level.

A program to help fish farmers and other aquaculturists obtain seedstock of desirable fish strains that otherwise would be difficult or impossible for them to obtain has been initiated. The Service will provide seedstock to form the nucleus of breeding stock for commercial research and development purposes. We expect to obtain seedstock from our own hatcheries, from State hatcheries, from the wild, or from foreign sources.

Federal fish hatcheries, fish cultural development centers, hatchery biologist stations, and fishery laboratories are used to transfer technology to local aquaculturists through demonstrations, field days, workshops, and other techniques.

Finally, the Service has been actively involved in the Joint Subcommittee on Aquaculture and in producing the National Aquaculture Development Plan required by the Act.

Gainesville Fishery Research Laboratory

Question: For the record, please provide a complete cost and operational breakdown of the Gainesville, Florida, fish research laboratory, including a cost-effective phased plan for its construction.

Answer: The FY 1982 operating budget of the National Fishery Research Laboratory, Gainesville, Florida, is $251,600. The Gainesville laboratory operating cost breakdown is:

Salary and Benefits	118.3
Contracts	122.6
Overhead	10.7
Total	251.6

The laboratory currently administers nine contracts, ranging in size from $9,000 to $29,000, with various universities. These contracts are for short periods, six months to one year, and may be extended for an additional six months to one year if the initital contract is productive. Most work that can be done efficiently on a contract basis will be accomplished in the near future and inhouse research of a complementary nature must be undertaken if the impacts of exotic fish introductions are to be adequately determined.

The most-efficient construction schedule would be a single appropriation with the construction phased over 2 years. However, in order to lessen the budgetary impact in any one fiscal year, the Service has developed a construction schedule which would require appropriations in three separate years. Phase I (first year) provides for the building shell and provides usable office space and minimal laboratory space. Phase I (second year) provides for completion of the main laboratory building and essential outside fixtures including shop and storage and maintenance buildings, standby generator, and access road. Phase II provides for experimental ponds and completes all of the remaining outdoor features required for full operation of the laboratory. Under this scenario, total construction would be completed four years after the initial appropriation.

Costs:

Phase I (first year appropriation)	$2,900,000	1/
Phase I (second year appropriation)	1,170,000	1/
Phase II (third year appropriation)	3,400,000	2/
Total	$7,470,000	

1/ Cost estimate in terms of 1982 dollars
2/ Cost estimate projected to 1983.

Construction Cost Estimates and Reprogramming Actions

Question: For the record, please provide a complete description and analysis of FWS problems and corrective activities aimed at improving your cost-estimating techniques for the construction program, so that the number and size of reprogramming actions can be reduced.

Answer: Congress has issued specific guidance on the reprogramming of funds (e.g., the use of funds which in amount or purpose differs from the planned use as stated in budget documents furnished to the Appropriations Committees). With respect to the amount of funds involved, the directives state:

> "Any proposed reprogramming must be submitted to the Committee in writing prior to implementation if it exceeds $250,000 annually or results in an increase or decrease of more than 10% annually in affected programs." (The limit was later modified to $100,000 by language in the 1979 Senate Appropriations Report.)

In the Service, reprogramming actions of less than $100,000 must be approved by the Director. This has been delegated to the program manager and the Assistant Director - Planning and Budget. A report of all these internal actions is provided each quarter to the Appropriations Committees. From 1975 to 1980, there was a total of 103 reprogramming requests, as follows:

	Type of Request		
Level of Approval	Construction	LWCF	Total
Director	42	--	42
Congressional	12	49	61
Total	54	49	103

The total amount of construction funds involved was $9.7 million, or about four percent of the total construction appropriations during this six-year period ($261 million).

The Service believes that several factors have contributed to what is perceived to be an excessive number of construction reprogramming actions. The first is the lack of funds or authority to conduct initial engineering planning and design prior to funding of construction projects. Funds for this advanced planning function have been made available only in a few limited cases for specific projects, as in the case of the fishery research laboratory at Gainesville, Florida. But for most projects, the line items of work and cost estimate are developed without any in-depth engineering study. If the project is funded, part of the appropriation must be used to perform the type of on-site, preliminary planning and cost estimating functions which would be covered under an annual appropriation for advanced planning.

Absent that advanced planning capability, project proposals may be deficient because (a) critical site factors, such as gradients, soil stability, hydrologic conditions, or other determinants of feasibility and cost of the work have not been addressed; (b) the sequence of line items, if a multi-phased (several years) project is involved, has not been properly considered; and (c) the costs for the line items are simply inadequate or not properly indexed for out-years. Because of such deficiencies the funding justified in the budget may be substantially less than required and/or the items of work may require substantial adjustment. Both would require some type of reprogramming action. The report on Service construction programs by the Audit and Investigation staff of the House Subcommittee on Interior Appropriations also identified the lack of advanced planning as a serious problem and one cause of unreliable cost estimates and reprogramming requests.

In addition, part of the problem stems from the fact that there has been no Servicewide mid-term planning system for identification of maintenance and construction projects, priority assignment of projects and use of these priorities to the budget formulation process. Even if advanced planning and design funds were available, the lack of a cohensive, systematic process for identifying project needs and priorities would tend to dilute the focus and validity of the budget proposals. The Service is now developing a "Capital Development System" process which is scheduled for implementation this summer. This system is designed to correct a number of internally identified problems with management of the construction and maintenance activities. Perhaps the intended results of greatest interest to the Committees are these: (a) it will correct the problem of inadequate planning and budgeting for priority construction and maintenance projects, as cited in the House audit report, and (b) it will reduce reprogramming requests by focusing budget proposals on the highest priority needs with phased funding, including advanced project planning and design funds as separate, initial requests.

There are two exercises in the Service that result in several types of cost estimates. One relates to estimates which are used in budget materials and the other to contract bids. The former, as indicated above, are usually developed without engineering input because of the lack of advanced planning funds. The latter, contract estimating, after project funds are appropriated, is exclusively an activity of the engineering staffs. A generally accepted industry norm is that the variation between contract estimate and bid amount should not exceed ±10 percent. A recent detailed internal study of the construction program found that during the period of 1978-1980, the Service failed to meet that norm on 60 percent of the contracts. Steps are now being taken to develop the criteria, standards and training neccessary to bring estimating up to a technical level to achieve the ±10 percent variance norm. In addition, the Chief Engineer is to submit recommendations on acquisition of programs to access a data based estimating system. Systems are available which are constantly updated and modified for national, regional and local trends. Access to such a system would further help to improve contract estimating in the regional offices and the Denver Engineering Center.

QUESTIONS SUBMITTED BY SENATOR LAWTON CHILES

Construction of Exotic Fish Laboratory, Gainesville

Question: Does the need for the construction of the Exotic Fish Laboratory (National Fishery Research Laboratory) in Gainesville, Florida, still have the high priority you indicated in the Yates Report and in your earlier testimony with this Committee?

Answer: Construction of the Exotic Fish Laboratory in Gainesville, Florida, does have the same relative priority in fishery research construction needs. At this time, due to the restrictive fiscal climate, the Service has not requested construction funding for this facility. We cannot readily afford to construct new facilities within our existing budget at the expense of the proper care of existing facilities.

Question: What is the status of the request to the Congress for a supplemental for funds to construct the laboratory?

Answer: As directed in the FY 1982 Appropriation Conference Committee Report, the Service is preparing a supplemental request for consideration by the Department. However, as stated previously, the Service does not consider new construction practical under the current budgetary climate, nor would we expect the Administration to support a request for new construction at this time.

Question: What is the status of the construction of the laboratory?

Answer: The $500,000 appropriated in FY 1979 was used for impact assessment, archeological surveys and architectural drawings. The land has been cleared and three wells have been driven. Construction schedules and invitations to bid are on the shelf, ready to be advertised.

Question: I understand the laboratory can be built in three phases. What are the phases and what will they cost?

Answer: The original design of two phases of construction has been modified into three steps. They are:

Phase I (first year) $2,900,000
base laboratory building (cost estimated in 1982 dollars)

Phase I (second year) $1,170,000
completed laboratory plus outside support (cost estimate in 1982 dollars)

Phase II $3,400,000
Ponds and related support (cost estimate in 1983 dollars)

Question: Would you briefly describe the facility and its function?

Answer: The laboratory at Gainesville has been assigned the mission of conducting scientific research aimed at determining potential beneficial and/or harmful impacts of exotic introductions and preventing the introduction and spread of fish species which would be harmful to native species or their habitats. This research will help assure that native species do not become threatened. Upon completion of the laboratory, specific research projects will be undertaken to:

- determine which exotic species that have already been introduced into the Nation's waters could be harmful, injurious, neutral or beneficial.

- determine the status of and niches occupied by these species in U.S. waters and their actual or probable impact on native species or their habitat.

- determine which exotic species likely to be imported in the future have greatest potential for aquaculture or other uses in the U.S. and prepare narrative (non-economic) benefit/risk evaluations on each species.

- develop recommendations concerning the introduction and/or distribution of potentially harmful fish into the Nation's waters.

Question: What is the present size of the laboratory staff in Gainesville? Are funds sufficient and ceilings available to the laboratory for it to carry out its mission?

Answer: The present staff consists of three persons, the laboratory director, a staff biologist and a part-time secretary. Only limited in-house studies are carried out at present, with the bulk of the research conducted through contracts. This limited research effort can be continued for a few more years until the basic surveys are completed without construction of specialized laboratory facilities.

QUESTIONS SUBMITTED BY SENATOR HARRISON H. SCHMITT

Effect of Hatchery Closures

Question: What will be the effect of the proposed closures of thirty-one national fish hatcheries on the State of New Mexico?

Answer: In fiscal year 1981, Federal hatcheries provided about 1.3 million warmwater fish and 0.7 million trout for waters in New Mexico, or a total of about 2 million fish. Of that total, about 0.5 million fish were stocked on Indian reservations. These fish come from seven hatcheries, four of which are proposed for closure. These four units produced all of the warmwater fish and 129,000 of the trout stocked that year. The effect of the closure would be to eliminate practically all warmwater fish stocking in New Mexico from Federal hatcheries.

Question: What quantity and types of fish are now available to the state through the national hatcheries, and from which hatchery locations?

Answer: In FY 1981 the following Federal hatcheries distributed these fish to New Mexico:

Facility (State)	Species	Number	Weight
		(in Thousands)	
Inks Dam (TX)*	Largemouth Bass	260	.3
	Channel Catfish	34	10.6
Tishomingo (OK)*	Bluegill Sunfish	20	.1
	Channel Catfish	664	4.6
	Striped Bass	110	.1
Uvalde (TX)*	Largemouth Bass	160	.8
	Channel Catfish	98	33.6
Alchesay/Williams Creek* (AZ)	Rainbow Trout	135	21.1
	Cutthroat Trout	32	.8
	Brook Trout	7	.5

* hatchery is proposed for closure in FY 1983

Facility (State)	Species	Number	Weight
		(in Thousands)	
Mescalero (NM)	Rainbow Trout	375	72.9
	Cutthroat Trout	93	5.3
Hotchkiss (CO)	Rainbow Trout	100	9.4
Erwin (TN)	Rainbow Trout (eggs)	467	---
Ennis (MT)	Rainbow Trout (eggs)	200	---
Crawford (NE)	Brown Trout (eggs)	250	---

Question: What alternative sources of warmwater fish are available to the state?

Answer: We understand that New Mexico's state hatcheries would not be able to replace the fish currently provided by national hatcheries. The most promising alternative source of warmwater fish available to the state would be the private sector. Although there probably are a few small warmwater fish farms in New Mexico, U.S. Department of Agriculture data indicates the nearest significant private sector production occurs in Texas.

In 1981, Texas fish farmers produced an estimated 4.2 million channel catfish, more than five times the number supplied to New Mexico from Federal hatcheries in that year.

Texas producers also rear largemouth bass, but we do not have information on the numbers reared or sold. Bluegill sunfish may also be available from Texas fish farms. We do not know of any private source of striped bass near New Mexico.

Question: What is your estimate of the cost to the state if the fish were to be acquired from other sources?

Answer: Based on the same numbers and sizes of all fish our hatcheries provided in 1981, we would estimate that the cost of obtaining warmwater fish, excluding striped bass, would be about $205,000 and the cost of trout about $168,000. These estimates do not include the cost of distributing the fish. The costs represent our best estimates, based on information available, but the variation could be as high as plus or minus 30 percent. The price would be greatly influenced by the size and number of fish purchased and general market conditions, including supply and demand at the time.

Question: What is your estimate of the revenues generated in the state's economy by the supply of warm water fish from the national hatcheries?

Answer: Based on preliminary data from the 1980 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation, our estimate of the revenues generated in New Mexico's economy by warmwater fish from national hatcheries is approximately $2 million in direct expenditures. It is important to note, however, that there is no precise way to evaluate what would occur in terms of actual loss of revenue within the state. Some recreational dollars would continue to be spent by fisherman in-state, others might be shifted out-of-state, and still others would likely be shifted away from fishing to another form of recreation.

Question: If the hatcheries are turned over to the states, what provision would be included to insure that states like New Mexico would continue to be supplied fish in the quantities that were available before the turnover?

Answer: If hatcheries are turned over to the States, it is unlikely that the Federal Government would be able to impose conditions on the future operation of those facilities that would ensure a continued supply of fish in the same numbers to New Mexico. It is doubtful that any state would be willing to assume operational funding for a hatchery under an agreement in which they would be required to supply fish to another state. New Mexico would have to negotiate for future fish directly with any states which might assume operations of Federal hatcheries proposed for closure. Future requests from New Mexico for fish from the Fish and Wildlife Service would continue to be considered along with all other requests. Fish would be provided on the basis of Federal priorities to the extent that they are available from other hatcheries retained in the Federal hatchery system.

Fishery Assistance

Question: What will be the effect of the proposed closure of the Gallup, New Mexico, fishery assistance field station on the Navajo Tribe?

Answer: The Service, through the Gallup Fisheries Assistance Office, now assists the Navajo Tribe in the management of 26 bodies of water for coldwater fisheries. This includes both put-and-take and put-grow-and-take management for trout. This assistance will cease with the closure of the Gallup station unless the Bureau of Indian Affairs is able to fully reimburse the Service for the cost to continue this assistance. This would be in keeping with the Senate Appropriations Committee position that Service assistance to other agencies should be reimbursed by the benefitting agency. Discussions between the Service and officials of the BIA at the Washington level have occurred regarding potential reimbursement. Although no conclusions have been reached, the Service understands that BIA has requested funding in their FY 1983 budget to continued this assistance.

Question: What alternative assistance is to be provided?

Answer: The Service is not aware of any immediate alternative plans to continue fishery assistance to the Navajo Tribe when Service assistance is terminated.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

Impact of Fish Hatchery Closures

Question: Mr. Director, you propose to close the Williams Creek Fish Hatchery, and two fishery assistance offices in Arizona. I have been informed by the Arizona Game and Fish Department that closing the Williams Creek Hatchery will result in a 50 percent reduction in fish available for stocking on Arizona's Indian reservations. This will result, of course, in reduced revenues for the Indian tribes and a much greater demand for fish raised in Department hatcheries. Have you evaluated the costs, direct and indirect as well as the savings associated with the closing of the hatchery?

Answer: Selection of hatcheries proposed for closure was based on two principal criteria: (1) the current management purpose of fish production, and (2) the condition of the facilities and other efficiency factors. Williams Creek NFH is included because of the extremely poor condition of the entire hatchery facility and the substantial funds needed for rehabilitation.

We acknowledge that sport fishing and economic benefits result from distribution of fish from the Williams Creek National Fish Hatchery to Indian Reservations in Arizona. The Service has not conducted an economic impact analysis based on the proposed closure. However, we are aware that sport fishing programs on the Indian Reservations in Arizona generate substantial economic returns to the Tribes. Closure of the Williams Creek hatchery would not lead to total loss of that return because part of the current stocking program would continue from other units of the hatchery system.

Question: If the Williams Creek Hatchery needs renovation, what would be the total cost, and what would be the estimated outlay per fiscal year (FY 83; FY 84, etc)?

Answer: Most of the facilities at the Williams Creek hatchery are obsolete, inadequate, and inefficient to manage. The estimated total cost to renovate these facilities would be about $9.5 million. The outlay effect of these funds would be as follows:

FY 1983	--	$ 570,000
FY 1984	--	$5,130,000
FY 1985	--	$3,800,000

Impact of Fishery Assistance Station Closures

Question: I have been informed that your office has understood that the BIA might be willing to assume the operation and costs of the fishery assistance offices. On the other hand I have been informed the BIA has no knowledge of this and has no intention of assuming the costs for these responsibilities. Could you provide a summary of the result, the impact, that the termination of funding for these offices will have on both personnel and programs?

Answer: Discussions between the Service and officials of the BIA at the Washington level have occurred regarding potential reimbursement for Service fishery assistance to Indian reservations. No conclusion has been reached in these discussions. BIA is requesting $71,000 to fund the Service's Pinetop fishery assistance station in Arizona and $101,000 to fund the Williams Creek National Fish Hatchery. The Pinetop station provides fishery assistance to the Gila River, Fort McDowell, Papago, San Carlos, and White Mountain Apache Tribes. Williams Creek NFH is one of three freshwater hatcheries on Indian lands in the United States. Fish produced here are stocked on Indian reservations in Arizona and New Mexico.

The Parker fishery assistance office, also scheduled for closure, assists Indian tribes in the management of about 6,100 acres of impoundments and 93 miles of streams producing about 100,000 angler days of fishing annually. As far as we know, the BIA has not indicated interest in maintaining this station either on a reimbursable basis or under BIA operation.

In the absence of reimbursable funding for both the Pinetop and Parker stations, fishery assistance to Indians in these areas will cease. Personnel at these stations would be utilized in other Service programs to the degree position ceilings and funding permit.

Area Office Closures

Question: I am concerned with the closing of the Area Office in Phoenix, Arizona. Will the employees and funds now at the Area Offices be utilized in the field offices?

Answer: There are approximately 165 full-time equivalent positions in the 18 Area Offices. We expect that about one-half of these positions will be available to field installations. The other half will go to Regional Offices. While Area Offices have conducted important liaison functions with the State and local governments, we have determined that this function can be accomplished at the regional level.

Question: Will field office services be enhanced?

Answer: Yes. I believe field offices will benefit greatly by their organizational change. Increased personnel will be available for field activities. In addition, there will also be a corresponding tightening of the organizational structure; line authority between the Washington Office and field stations will be shortened. This will reduce the time needed to communicate managerial problems from the field to headquarters and policies and priorities to the field from headquarters. It is our intention to use any savings to directly support field station activities.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

Question: As you know, the sunflower growers in my part of the country have suffered greatly from the depredation from blackbirds. The Fish and Wildlife Service have provided funds to North Dakota State University who have been doing research on sunflower breeding for bird resistance.

These funds will run out on June 30, 1982, long before the research will be completed. The farmers in my area suffer millions of dollars of damage yearly from blackbirds, and I feel it is most important that we continue this research on varietal sunflowers.

How much funding have you recommended for research on sunflower and blackbirds nationwide?

Answer: The Administration budget request includes $397,500 for research on blackbird/sunflower problems nationwide.

Question: Do you plan on earmarking any of these funds for the research being done in North Dakota?

Answer: Present plans include the expenditure of $349,000 for research in North Dakota, including $75,000 for continuation of contract studies on varietal resistance of sunflower at North Dakota State University. This is the level of expenditures for contract studies in Fiscal Year 1982.

Question: If not, how do you justify discontinuing this research?

Answer: We plan to continue this research.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Animal Damage Control

Question: What will be the specific impact of the proposed $1,951,000 reduction in the Animal Damage Control budget on bird damage control programs and, in particular, on the important ongoing program to mitigate blackbird damage to rice crops in Louisiana and Arkansas.

Answer: The proposed reduction will have little impact on the Service's overall bird damage control effort. The reductions are as follows: $1,472,000 from operational resident wildlife damage control in the West; $380,000 from small mammal damage control research; $37,000 from mainly resident wildlife damage control in the Midwest; $31,000 from the Washington Office; $1,000 from Alaska; and $30,000 from migratory bird damage control in the Southeast. The Service proposes to take the $30,000 reduction in the Southeast from Arkansas and Louisiana equally.

The cuts in Arkansas and Louisiana will result in less on-the-ground assistance in dealing with migratory bird problems, and will prevent bringing the blackbird damage control staffs at Stuttgart, Arkansas, and Crowley, Louisiana, up from their current levels (3 each) to their planned level (5 each) when the current hiring freeze is lifted. Reductions in bird damage control were minimized because the Federal Government has the primary management responsibility for migratory birds.

Bogue Chitto National Wildlife Refuge

Question: It is my understanding that no operations funds have been requested for the Bogue Chitto National Wildlife Refuge, although over 17,000 acres (almost half the authorized area) have been acquired and visitors are increasingly using the area for fishing, boating, and hiking. Moreover, useage is expected to increase substantially in the next year.

It seems to me that good management of this important resource, both for habitat protection and safe, enjoyable visitor use, will require start-up funds this year. I am especially concerned about this in view of the planned closing or scaling back of the Slidell, Louisiana Fish and Wildlife Service office, which has provided staff to help the one permanent Bogue Chitto staff person meet current needs.

How many visitors do you estimate will use the Refuge in FY 1983 and what will the staffing requirements be to maintain safety and interpret the area for visitors? Will this require additional funds? If so, how much? If not, how do you plan to provide staffing?

Answer: Initial base funding for Bogue Chitto is proposed to start in FY-83, at $20,000. Funding in FY-81 and FY-82 has come from other refuges (salary savings of vacant positions). Additional costs have been borne by the administering office at Mississippi Sandhill Crane NWR.

Next year's visitation at Bogue Chitto is anticipated to reach 32,000 visits-primarily fishing (20,000) and hunting (7,000). This, in itself, would not require additional funds if basic staff were on-board. Without additional funding, operations will continue as in the past--by drawing upon assistance from Mississippi Sandhill Crane Refuge staff, and other nearby refuges, as well as State and Federal law enforcement agents. Such "outside" assistance must be limited to short duration, such as opening weekends of major hunts. We believe that this is a more efficient approach than requesting additional resources for the refuge.

Question: How much is needed to improve habitat management and undertake needed timber and weed control problems? Are any funds budgeted for these activities.

Answer: No habitat management, control, or manipulation is needed at present--thus, no funds have been requested for that purpose.

Question: Currently the one staff member at the Bogue Chitto National Wildlife Refuge is housed in the Slidell, Louisiana Computer Center, at a considerable distance from the Refuge which decreases visitor accessibility and on-site management of the area.

Do you have any plans now underway to establish a headquarters site or visitor center adjacent to the Refuge?

Answer: Despite its apparent distance from Bogue Chitto, the Slidell Office location was a logical one. Even without a diminishing of Slidell space, the refuge would have sought other office space when assured of staffing beyond one person. An interim operational plan for Bogue Chitto is being prepared in the Regional Office which recommends locating the office closer to the site, perhaps with the Corps of Engineers at Lock #2 or Lock #3, or suitable office space elsewhere.

Question: When will a Development Plan be prepared and submitted for the Refuge? Is this now underway? If not, why not? If it is underway, what is your target date for completion?

Answer: No development plan has been prepared for Bogue Chitto because of its inherent values "as-is," without extensive development. It is possible that a modest maintenance/service facility on-refuge would be appropriate at a later date, but the lack of roads and general remoteness of the station indicate that an off-site office might be a better advantage. Development plans at Bogue Chitto in the normal sense, would be prepared only after a staff had been on board for some time and had an opportunity to assess needs.

Law Enforcement Reorganization

Question: I am very concerned about the proposed transfer of enforcement supervision (as stated in a February 18, 1982, letter) from the Slidell, Louisiana Law Enforcement Office to the Regional Fish and Wildlife Service Office in Atlanta. It seems to me that such a transfer will undermine efforts to have decisions made by those most familiar with local situations and best able to tailor policies to peculiar local needs.

What justification, in terms of policy and budget, is there for such a transfer? Is it both desirable and necessary, or is funding the sole criteria?

Answer: The decision to transfer the management of the enforcement function from Slidell, Louisiana, to Atlanta, Georgia, is the result of a general policy decision to have only one law enforcement manager in each region reporting directly to the regional director. This decision is a policy decision and not based on funding criteria. In three of the Service's seven regions, there is more than one law enforcement district. Experience has shown that management by the regional director in these three regions has been complicated by having more than one Special Agent-in-Charge. Therefore, the realignment is intended to bring law enforcement management in the three affected regions into line with the other four regions.

Question: How much money is budgeted for law enforcement in FY 1983? How does this compare to FY 1982? to FY 1981? to FY 1980?

Answer: The following Law Enforcement funding includes amounts for Endangered Species, Wildlife Resources and Fisheries Resources.

Law Enforcement
$ in millions

1980	1981	1982	1983
12.9	16.4	15.0	14.0

Question: What percentage of the Service's budget does law enforcement comprise?

Answer: For fiscal years 1980, 1981, 1982, and 1983 the law enforcement budget has constituted 6.1 percent, 7.0 percent, 6.7 percent, and 6.4 percent of the Service's Resources Management appropriation, respectively.

Question: Which Service office is responsible for coordinating law enforcement budgets, providing managerial direction, and establishing the priorities for law enforcement efforts? Are there specific examples of problems in these areas in District 8?

Answer: The Associate Director for Wildlife Resources is responsible for coordinating law enforcement budgets and providing managerial direction. The Associate Directors for Wildlife Resources, Fishery Resoures and Federal Assistance establish priorities for law enforcement efforts.

Question: What are the law enforcement functions of the Regional Office? Could these functions be performed at either the Washington or district levels? How much law enforcement effort is duplicated at the Washington, regional and district levels? Given that there are only five more LE districts than there are regions, why is it necessary to maintain law enforcement functions at the regional level?

Answer: The regional director is responsible for line direction and management of law enforcement--and all other Service functions--in the region. In this capacity the regional director is the supervisor of the Special Agent(s)-in-Charge within the region. Assigning the regional law enforcement function to the Washington or district level would reduce coordination between law enforcement and other Service activities at the field level and reduce accountability at the regional level. There is no duplication of law enforcement effort among the Washington, regional and district levels.

The Service has had four regions in which only one Special Agent-in-Charge reports to the regional director and three regions in which more than one Special Agent-in-Charge reports to the regional director. Experience has shown that having more than one law enforcement district complicates management by the regional director who is accountable for the law enforcement and other Service activities in the region.

Question: What steps are being taken to correct the problems outlined in a two-man task force report (the April 1981, report referred to as the "Ashe-Putz" report)?

Answer: The Ashe-Putz report has been intensively reviewed by the Service Directorate. We will provide a detailed response under separate cover.

Question: Why, given the magnitude of the problems at the Washington and Regional Offices, was law enforcement at the field level designated for budget cuts?

Answer: In developing the FY 1983 budget, all aspects of the Service were considered and the limited number of dollars prioritized. The reduction in law enforcement funding is the result of a policy decision to reduce routine field investigations of Endangered Species Act violations and to concentrate on major undercover operations. The Service believes this change will prove more cost effective.

Question: Louisiana, with the largest duck harvest of any nation, has a critical and special need for effective law enforcement. District 8 has one of the best track records in the country and has experienced unusually good coordination amongst

Federal and State officials, in large part due to the presence of local offices to work out problems quickly and congenially. Yet, some 7 vacancies now exist and the remaining personnel as I understand it will be transferred. Why? What steps are available to the Service to both maintain District 8 as a distinct center for law enforcement and fill these vacancies? How much would be needed to accomplish these objectives in FY 1983?

Answer: The Service is currently undertaking an analysis of law enforcement workload to make adjustments throughout the country to place available resources where the high priority work is located. This may result in additional resources for Louisiana. The average staff year cost per agent is $65,000; therefore, seven positions require funding of $455,000.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Law Enforcement

Question: It is my understanding that the Fish and Wildlife Service has recommended eliminating the only federal enforcement position in Vermont, and combining these responsibilities with enforcement officials in New Hampshire or Maine.

The federal officer in Vermont has been important for undercover work in the State, since State officials are often recognized by the local hunters. In addition, State enforcement officers are not able to follow suspected violators across Vermont's four borders, one of which is with a foreign country.

What is the status of this proposal?

Answer: The Service has not recommended eliminating the special agent position in Vermont. In fact our special agent in charge in Boston is at this time working with the Vermont Commissioner and Chief of Enforcement on a cooperative agreement to have our agent perform State-federal undercover work. This work will be funded by the State of Vermont. This agreement will most likely be in operation within the next two months.

Question: When would the proposal take effect?

Answer: As stated above to eliminate the special agent proposal has been made.

Question: Have you considered making larger personnel reductions in States which have more enforcement officers, in order to guarantee that each State have at least one officer?

Answer: We are currently conducting a law enforcement workload analysis to determine areas of greatest law enforcement need. Based on the analysis agents will be relocated to best use our law enforcement resources. We will consider the need to adequately coordinate State and Service enforcement actions.

Berlin National Fish Hatchery

Question: The Service has proposed closing a number of hatcheries, including the hatchery at Berlin, NH. That hatchery currently supplies the State of Vermont with about 160,000 trout per year. In return, the State of Vermont supplies the Green Mountain National Forest with many of its fish. If the Berlin hatchery is closed, will there be any arrangements made to continue this supply of fish to Vermont?

Answer: If the Berlin hatchery closes, stocking requests related to National Forests would receive consideration along with all other production requests at the remaining Federal fish hatcheries. After high priority production needs are met, stocking needs for National Forests in Vermont would be considered with other requests of the same or comparable priority. It is unlikely that fish would be available in the numbers currently provided.

Question: Will Vermont be expected to continue supplying the National Forest with fish?

Answer: Vermont provides the primary oversight for fisheries management on National Forest lands in the state. It will be up to Vermont to determine whether or not it will continue to supply fish for its management programs in the National Forest.

Question: What associated activities, such as monitoring water quality, will be eliminated if the hatchery is closed?

Answer: If the Berlin NFH is closed the need for the Service to monitor the impact of the hatchery on local water quality will cease. We do not foresee other associated activities that might be eliminated.

Question: Do you have any estimates on the effect on the local economies, both in Vermont and New Hampshire, if the hatchery is closed? For example, will this have an effect on the tourist industry, or on revenue from fishing licenses?

Answer: When establishing the list of proposed closures, the Service considered both the management purposes of the fish stocking and the costs of maintaining and/or restoring the facility to meet operational standards as well as the costs of production and distribution. We did not conduct specific economic and sociological studies on the effects of our program reduction on the local economies of Vermont and New Hampshire. There may be some losses, such as direct expenditures for fishing licenses and tackle, but the possibility also exists that recreational dollars previously spent on fishing may be shifted to other pursuits and would remain in the local economy.

White River National Fish Hatchery

Question: What is the status of funding for the White River, VT Federal hatchery?

Answer: A total of $6,508,000 was appropriated from FY 1973 through FY 1980 for the development of this new Atlantic salmon hatchery on the White River in Vermont. Funds were used for engineering and design, land acquisition, development of initial water supply, construction of the hatchery building and rearing pools, utilities and equipment purchase. Construction of support facilities is essentially complete. The FY 1981 Construction Appropriation for the Fish and Wildlife Service included $100,000 for a water supply treatment study. Serious problems with parasites and silt have been encountered with production operations at this facility.

Question: Do you anticipate any need for further funding for construction, improvements, or studies?

Answer: The White River Water Treatment task group formed to carry out the study directed in FY 1981 has recently completed a report providing various alternatives for preventing the introduction of disease and parasites through the water supply at the White River hatchery. They recomended the installation of an ultra violet light (UV) disinfection system and other modifications to the water supply system.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

National Wildlife Health Laboratory

Question: I understand that over $6 million has recently been spent on the National Wildlife Health Laboratory. Why did you decide to spend this money? Have you changed your mind about the Laboratory's importance? Wouldn't closing the Laboratory now be wasteful?

Answer: It is true that about $6 million has been spent on the National Wildlife Health Laboratory since 1975. The Service spent this money in order to diagnose increasingly important avian diseases, particularly among waterfowl, and to conduct research on diseases with the ultimate objective of developing management strategies to reduce losses. We have not changed our minds about the Laboratory's importance. However, faced with substantial reductions for Migratory Bird Research and Mammals and Non-Migratory Bird Research in FY 1982 and with even greater reductions required in FY 1983 we chose to terminate our efforts at the National Wildlife Health Laboratory in order to maintain effective and efficient research programs at other laboratories. For this reason, we do not believe the closure of the National Wildlife Health Laboratory to be wasteful.

The initial funds for purchase of land and existing building, and for renovation of the basement area were committed when future budget reductions were unforeseen. Funds for the final renovation of the existing laboratory were provided by Congress in FY 1981. At the time bids were received and contracts were awarded, the FY 1983 budget had not been finalized and Congress had stipulated that no laboratories were to be closed in FY 1982. Completion of this building renovation provides a functional disease diagnostic laboratory. Now, however, in light of budget reductions it might be even more wasteful to cripple efforts at all our other laboratories by not closing the National Wildlife Health Laboratory.

Question: The Laboratory was started because there was no other Federal facility to deal with wild fowl diseases. How does the Fish and Wildlife Service propose to do this kind of research without the Laboratory? If it plans to contract out this work, how much will be spent on the contracts? Can it identify other laboratories or organizations competent to do this kind of work?

Answer: The National Wildlife Health Laboratory was established to provide the diagnostic service, training, and research needed to respond to migratory bird die-offs and address disease problems in wildlife. Without this Laboratory, diagnostic work performed would be a limited amount contracted for by the Service's Regional Offices. If funds became available in the future, the field aspects of research could be conducted by Service biologists but contracting for the necessary laboratory work might not be possible. The National Animal Disease Laboratory, operated by the USDA, is competent and has proper disease containment facilities to conduct the broad range of needed disease research but their mission and focus on domestic animals would likely preclude availability of adequate space, time, and management-oriented wildlife disease expertise.

Question: I understand that the Laboratory has very specialized equipment. How much would it cost to duplicate this equipment elsewhere? Are there plans to dismantle this equipment and move it to other labs?

Answer: The National Wildlife Health Laboratory has an estimated $1 million investment in very specialized equipment. Much of this equipment is built-in and would be expensive to duplicate at another site. Some of the equipment could be moved to other laboratories, but there are no plans to dismantle this equipment.

Question: Is closing the Laboratory for FY 83 meant to be permanent?

Answer: The Service has no plans to conduct research at the National Wildlife Health Laboratory in the future.

Question: How much will it cost in severance pay and other termination costs to close the Laboratory? Can the plant be mothballed?

Answer: Costs in severance pay and other termination expenditures would total an estimated $230,000; there are about 30 employees at the laboratory. The mothballing of the laboratory is possible, though deterioration of complex systems will proceed and warranties would expire.

Question: What are the views of State conservation departments, environmental groups and veterinary organizations on closing the lab?

Answer: A number of State conservation agencies, environmental groups, and veterinary organizations give strong support to the programs of the National Wildlife Health Laboratory. On March 3, 1982 at the House Hearings, the United States Humane Society, National Wildlife Federation, National Wildlife Refuge Association, the International Association of Fish and Wildlife

Agencies and the National Audubon Society expressed their support for the National Wildlife Health Laboratory. However, we believe they, as well as we, are sensitive to current budget problems related to the state of the economy and understand our situation.

Question: How much would it cost to finish the Laboratory? And what needs to be done?

Answer: The main building at the National Wildlife Health Laboratory will be completed in December 1982. Completion of the Laboratory complex requires tight isolation facilities, for which funds have not been appropriated. It would cost an estimated 2.86M to complete the Laboratory.

Question: Is the Service currently using a tight isolation research facility at the University? What are the long term prospects for continuing to use this facility?

Answer: The Laboratory has had limited and unpredictable access to the tight isolation facilities of the University of Wisconsin, but National Wildlife Health Laboratory use becomes increasingly difficult as the University of Wisconsin's needs increase. The completion of the University's veterinary school in the next 12 months makes any long-term use by the National Wildlife Health Laboratory most unlikely.

Question: What would happen if the Fish and Wildlife Service got its FY 82 funding level in FY 83 - would it still close this laboratory?

Answer: Yes, because migratory birds and mammals research at the other laboratories has already been pared to minimally efficient levels, and cyclical maintenance and minor rehabilitation work has been delayed. Addressing these needs in addition to increased operating costs, and increased facility costs at a fully functioning National Wildlife Health Laboratory with the same dollars as in FY 1982 would still result in reducing the National Wildlife Health Laboratory below minimal operating levels.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Bowden National Fish Hatchery

Question: The Fiscal Year 1983 budget for the Fish and Wildlife Service proposes the closure of thirty-one fish hatcheries including the Bowden National Fish Hatchery near Elkins, West Virginia. What criteria were used to determine these proposed closures?

Answer: Twenty-four of the thirty-one hatcheries are proposed for closure because fish production at these hatcheries has not principally been used to meet highest priority Federal responsibilities. We define those as major international or interstate fisheries such as anadromous or Great Lakes, fisheries on Indian reservations, Federal mitigation, and threatened or endangered species. Another seven are proposed for closure because of poor condition of facilities, inadequate water supply, or other problems.

Question: Which of the thirty-one that are proposed for closure is the highest priority based on the criteria selected by the Fish and Wildlife Service?

Answer: The Service has ranked the 31 hatcheries in priority order for closure based on the criteria. The Bowden NFH is ranked number 31. In other words, of the thirty-one proposed for closure, the Bowden hatchery has the highest priority for retention under the criteria.

Question: How were the thirty-one hatcheries chosen? Are they all inefficient or obsolete facilities?

Answer: We looked at the fish distribution records in light of the Federal responsibility criteria mentioned previously. If less than half of a hatchery's output was stocked in waters associated with those criteria, it was considered for closure. We elected to retain several units which did not meet the criteria because of the potential of these hatcheries for higher priority production. As indicated, we also included several hatcheries because of poor facility condition or other efficiency factors. However, not all the stations are proposed for closure because they are inefficient or have obsolete or deteriorated facilities.

Question: So, many of the facilities proposed for closure may be perfectly good hatcheries, but given the criteria the Fish and Wildlife Service has established and the funding limitations, you would not choose to keep them open. Is that correct?

Answer: Some of the hatcheries are in good physical condition but are proposed for closure because they do not contribute substantially to the Federal fish production responsibilites as laid out in the criteria in the Budget Justification.

Question: How many fish hatcheries is the Fish and Wildlife Service presently operating in West Virginia?

Answer: The Service presently operates two fish hatcheries in West Virginia, one at White Sulphur Springs and one at Bowden.

Question: Isn't the White Sulphur Springs National Fish Hatchery principally a broodstock hatchery which produces and ships eggs to other hatcheries throughout the Eastern United States where these embryos are raised to stocking size?

Answer: Yes. The White Sulphur Springs National Fish Hatchery maintains rainbow and brook trout broodstock which produce about 13.5 million eggs annually. In 1981, these eggs were shipped to 23 Service fish hatcheries and research facilities throughout the country, State fish hatcheries in 10 States, one province of Canada, and the government of Mexico.

Question: Under the circumstances, you could not really produce many additional stocking fish at the White Sulphur Springs hatchery, could you?

Answer: That is basically correct. Significant numbers of fish for stocking could not be produced at the White Sulphur Springs hatchery without substantially reducing the broodstock production.

Question: So, Bowden is your significant source in West Virginia for providing fish to federally managed waters. Isn't that correct?

Answer: It is correct that the Bowden hatchery serves as the primary source of fish needed for management of waters on Federal lands in West Virginia. If the Bowden hatchery is closed, it is possible that part of the West Virginia stocking needs could be met with rainbow trout from the Wytheville, Virginia, National Fish Hatchery and brook and brown trout from the Paint Bank, Virginia National Fish Hatchery by eliminating some current stocking commitments at those hatcheries.

Question: How much will it cost to close the thirty-one hatcheries, and how much of this is specifically associated with Bowden?

Answer: In order to estimate closure costs, it is necessary to make a number of assumptions on such things as how many hatcheries would be turned over to the States for operation, how many would have to be disposed of through GSA property disposal procedures, how long the Service would have to maintain custodial care and protection, and how many employees may retire, obtain other Federal employment, or be separated. We estimated earlier that closure costs might range between one million dollars and one and three-quarters million dollars for all thirty-one units. This suggests an average cost per hatchery between thirty-three and fifty-six thousand dollars. It is likely that costs at Bowden would fall within that range.

Question: The Fish and Wildlife Service places great emphasis on anadromous fish propagation. While I agree that anadromous fish production is important, I would like to know your production cost estimate for each FWS introduced anadromous fish that return to spawn?

Answer: The estimated production costs for each returning adult fish, including those caught in the sport and commercial fishery and those allowed to escape for spawning purposes are $6.50 for coho salmon, $4.73 for chinook salmon, and $3.37 for steelhead trout. For each fish that ultimately escapes the fishery to spawn, roughly three are caught in the sport and commercial fishery. These costs are based on FY 1980 production data and include related facility operations and maintenance costs. In a report "Net Economic Values For Salmon And Steelhead From The Columbia River System" developed by Meyer-Zangri Associates, Inc. in February 1982, for the National Marine Fishery Service, an economic value of $64 to $177 was given to each fish taken in the sport fishery and $9 to $35 for each fish taken in the commercial fishery.

Question: What is the average cost to produce each warmwater fish and each trout?

Answer: Three warmwater species, channel catfish, largemouth bass, and bluegill sunfish, together comprised more than 75 percent of the FY 1980 warmwater fish production in terms of numbers of fish. Rainbow trout represented a similar fraction, 75 percent, of the total trout production in terms of numbers. Estimated average costs to produce, but not distribute, these species were $.12 per fish for channel catfish, $.04 per fish for largemouth bass, $.02 per fish for bluegill sunfish, and $.49 per fish for rainbow trout.

Question: What is the cost to produce and distribute a pound of warmwater sport fish as compared to anadromous sport fish?

Answer: In FY 1980, the average costs per pound of producing and distributing the most frequently stocked species of warmwater fish were $6.80 for channel catfish at an average size of 46 fish per pound, $18.50 for largemouth bass at an average size of 460 fish per pound, and $22.50 for bluegill sunfish at an average size of 908 fish per pound. The FY 1980 average costs per pound of producing and distributing the most frequently stocked species of anadromous fish were $2.62 for coho salmon at an average size of 22 fish per pound, $2.56 for steelhead trout at an average size of 11 fish per pound, $2.02 for chinook salmon at an average size of 49 fish per pound, and $45.00 for striped bass at an average size of 848 fish per pound.

Eastern Energy and Land Use Team

Question: Mr. Jantzen, it is my understanding that you intend to close the office of the Eastern Energy and Land Use Team in Kearnysville, West Virginia. How many employees are presently assigned to this team?

Answer: There are currently 20 employees assigned to the team. It is our intention to reduce the staff to 3 employees. These employees will be working on acid rain problems funded by EPA. Several other team members have been assigned to other Service responsibilities in the Kearneysville area.

Question: How many employees were assigned to this team last summer?

Answer: There were 39 employees assigned to EELUT last summer.

Question: Why, at a time when mining activity is projected to increase substantially in the future, are you proposing to decrease your efforts in this consultation and mitigation work?

Answer: We do not feel that an intensive program is necessary. We will continue to provide Service input where species of high Federal interest are involved consistent with other Service priorities.

Question: If the Kearneysville Office is closed, will this function be transferred to another location, and if so, where?

Answer: Some functions such as some wildlife species data base compilations and some water resource activities will be transferred to Western Energy Land Use Team. Research and development in support of coal operations on non-Federal lands will be at a minimum.

Question: Please provide for the record the personnel and funding resources assigned the Eastern Energy and Land Use Team in each of the last three years.

Answer: Personnel and funding resources assigned to Eastern Energy and Land Use Team were as follows:

	1980	1981	1982
Resource Management	$1,002,000	1,412,000	687,400
Personnel	32	39	20

QUESTIONS SUBMITTED BY SENATOR WALTER D. HUDDLESTON

Frankfort National Fish Hatchery

Question: The Frankfort National Fish Hatchery in Kentucky is the only Federal warmwater fish hatchery in the State of Kentucky. According to your map, if the facility at Hebron, Ohio, is closed or transferred to the State of Ohio, there will not be a Federal warmwater fish hatchery in six of the seven states surrounding Kentucky. If ponds and lakes on Federal land, including national wildlife refuges, require stocking of warmwater fish, where do you plan to obtain these fish?

Answer: The principal criterion for closure was the Federal role or responsibility in the fishery management programs for which fish are produced by each hatchery. The highest Federal priorities are accorded to anadromous and Great Lakes fisheries, fisheries on Indian lands, mitigation fisheries management, and classified (endangered or threatened) species. The hatcheries which are proposed for closure based on this criterion contribute less than 50 percent of their total production to high priority needs. The high priority Federal commitments will continue to be met with the proposed closures, but lower priority Federal stocking will be reduced. Needs which arise for warmwater fish, particularly on Service lands, will be carefully evaluated and efforts made to obtain fish from the remaining warmwater hatcheries to the extent fish are available.

Question: If fish hatcheries were ranked on the basis of a cost/benefit ratio, where would the Frankfort facility rank?

Answer: We did not rank hatcheries on the basis of cost/benefit ratios because it is unrealistic to compare the cost/benefit of stocking one species of fish in one part of the country with the cost/benefit of a stocking operation in a different area. Widely divergent ratios often result from the combination of many factors including numbers and sizes of fish stocked, distances to stocking locations, numbers of locations stocked, and method of stocking. As stated above, our primary criterion was that of Federal responsibility.

Question: Please advise the Committee of the estimated cost of operation and maintenance of this hatchery in fiscal year 1983.

Answer: If the Frankfort NFH were to be retained in FY 1983, operation and maintenance needs would be $125,000/4 FTEs. This includes $105,000 for salaries and $20,000 for fish food and other operational costs.

Wolf Creek National Fish Hatchery

Question: The Wolf Creek National Fish Hatchery in Kentucky produces trout for stocking in Kentucky and adjoining states. Approximately 75% of the fish are used to stock Federal waters and 25% go to Kentucky springs and streams. Sixty percent of the production of the Wolf Creek hatchery in 1982 is scheduled to be stocked in Corps reservoirs and tailwaters. Since these reservoirs and tailwaters were created by the Federal government, destroying the native stream fishery, why is Wolf Creek not a "mitigation hatchery"?

Answer: The Wolf Creek dam was built primarily as a flood control structure in the 1940's. Prior to construction of the dam, the fishery in the area consisted of warmwater species such as bluegill, bass and crappie. The dam created the opportunity for a coolwater fishery, and in 1968 the Wolf Creek National Fish Hatchery was authorized for production of rainbow trout. Because Wolf Creek NFH was constructed over 20 years after the dam, and it produces fish which are not native to the area, it is not considered a mitigation hatchery.

Question: What distinguishes Wolf Creek from other hatcheries that are considered "mitigation hatcheries"?

Answer: Language referencing mitigation must be contained in the legislation authorizing either the hatchery or the water development project in order for a hatchery to be considered a "mitigation hatchery." The purpose or definition of "mitigation" is to compensate for fishery losses resulting from a construction project. The Wolf Creek NFH was not authorized to compensate for original fishery losses but to "enhance" a new fishery that developed following completion of the project.

Question: What is the physical condition of the Wolf Creek hatchery?

Answer: The Wolf Creek hatchery, which had its first year of production in 1976, is a relatively new hatchery. Its facilities are generally considered to be excellent. However, there have been continuing problems with the water supply.

Question: The Service has stated the Wolf Creek is being scheduled for closure, in part, because of problems with the water supply (high water temperatures and debris). It is my understanding that construction was undertaken in 1980 to correct the problem related to high water temperatures. Were water temperatures satisfactory during the 1981 season?

Answer: High water temperatures and debris have been problems at the Wolf Creek Hatchery. In 1980, a temporary extension was added to the water intake system to draw cooler water from deeper in the lake. The temperature has been lowered and is now satisfactory for rearing, but not yet completely satisfactory for egg incubation. Continued long term operation of the hatchery would require installation of a permanent extension at an undertermined cost.

Question: Your studies prior to construction indicated adequate water of suitable quality to operate the hatchery. Therefore, is it possible the high water temperatures in the years immediately prior to 1981 were caused by abnormal conditions such as the drawdown to repair the dam and/or drought conditions?

Answer: The lake was drawn down for repair of the honeycomb condition of the dam's supporting rock. It is our understanding that the lake will be raised after the repairs are completed, but the Corps of Engineers will determine the level at which the lake is maintained. Because of the combination of factors which have existed over the past several years, including the low level of the lake and drought, it is not possible to pinpoint the specific reasons for the unsuitable water conditions. It is also not possible to precisely predict what future conditions will be.

Question: It is my understanding that you have equipment on hand at the present time to correct any debris problem. Is this correct?

Answer: Debris collecting screens have been purchased.

Question: Please advise the Committee of the estimated cost of operation and maintenance of this facility in fiscal year 1983.

Answer: Should the Wolf Creek NFH be retained in FY 1983, operation and maintenance needs are $195,000/4 FTEs. This includes $114,000 for salaries and benefits, $ [illegible],000 for fish food and $20,000 for other operating costs.

QUESTIONS SUBMITTED BY SENATOR JOHN W. WARNER

Funding for Cooperative Research Units

Question: If funds for the Cooperative Wildlife and Fishery Units are reduced from the existing level, what criteria will the Department of the Interior use in allocating the remaining funds?

Answer: All units will be closed if the Congress approves the Administration's current FY 82 budget request for the Fish and Wildlife Service. If the Congress restores funds for the Cooperative Units at the current level, or a reduced level, the number of programs at universities will be reduced based on the following criteria:

1. national ecological-geographical needs;
2. needs of cooperating agencies;
3. past unit success and prognosis for the future.

Question: Is the Department considering elimination of the program at certain schools instead of an across the board reduction in funds for all schools? If so, why?

Answer: If the current level or a reduced level of funding is made available to the Service for the Cooperative Units, a number of locations will need to be closed. The Fish and Wildlife Service considers operation of a lesser number of fully funded and staffed units to be more effective than trying to operate all the existing units at a reduced funding level. Since 95 percent of the Cooperative Units' federal funds are used for salaries and minimal operational costs, across the board reductions cannot be done without cutting the limited staff. Reduction to one individual at each unit is not feasible because one person cannot carry the load of administration and still conduct research and training. Further, we believe that combined fish and wildlife units would afford economies in staff and administrative costs. If the Units remain with the current or a reduced budget for FY 83, we will recommend a lesser number of combined fish and wildlife units.

Question: Is it true that VPI&SU in Blacksburg, Virginia would be one of the first schools whose funding would be terminated? If so, why?

Answer: Based on its mission and responsibilities, the Fish and Wildlife Service does not believe that all the currently active Cooperative Units are needed in a broad area that includes New York, Pennsylvania, North Carolina, Virginia, Georgia, and Alabama. If the program is maintained at the current or a reduced funding level, we believe that three of those six locations could serve the needs of the cooperating agencies over that broad geographic area. No final decision can be made as to which units would remain until the appropriation level is known. We have recently renegotiated the Pennsylvania Units into one combined Fish and Wildlife Unit. There have been historical problems with the level of support from the Virginia Commission of Game and Inland Fisheries, although progress has been made recently. Hard decisions will have to be made about which units would remain if the President's budget was not enacted. We would apply the criteria listed above in the decisionmaking process.

INSTITUTE OF MUSEUM SERVICES

STATEMENT OF LILLA BURT CUMMINGS TOWER, DIRECTOR

ACCOMPANIED BY:

- TED SKY, OFFICE OF GENERAL COUNSEL, DEPARTMENT OF EDUCATION
- CAROL CICHOWSKI, OFFICE OF PLANNING, BUDGET, AND EVALUATION, DEPARTMENT OF EDUCATION
- PAT ALEXANDER, OFFICE OF LEGISLATION, DEPARTMENT OF EDUCATION
- TONY BLANKLEY, OFFICE OF LEGISLATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENT

Senator McClure. We will now turn to the Institute of Museum Services.

There is no fiscal year 1983 budget request for the Institute of Museum Services. A rescission of $10,877,000 of the funds appropriated for fiscal year 1982 has been proposed.

Mrs. Tower, we welcome you before this subcommittee. You may introduce whoever else may be testifying together with you, and you may then proceed to highlight your opening statement, if you desire, the full text of which will be included in the record.

[The statement follows:]

STATEMENT OF LILLA TOWER

I appreciate the opportunity to appear before you today to discuss the Institute of Museum Services and the Administration's fiscal 1983 Budget request.

Before I begin, however, permit me to express my very real appreciation to this Committee for the bipartisan interest and concern you have shown over the years for the well-being of our nation's museums.

As you know, the Institute was first authorized in 1976 to help maintain, improve, and increase museum services. Since its inception in 1977, IMS has played a unique role among federal arts and humanities programs in that it provided general operating support funds to museums.

That role has been endorsed and encouraged by the National Museum Services Board, which is the Institute's policy-making body, and, in past years, by actions taken by Congress to reauthorize the Institute and approve appropriations for museums' operating needs.

In fulfillment of its mandate, the Institute has awarded $30.6 million in General Operating Support grants to museums over the past four years -- or approximately 91% of total program dollars. The Institute has also, as the Committee is aware, provided Special Project grants amounting to $2,772,000, Museum Assessment Program grants totalling $240,000 in 1981, the only year of the program's existence, and Emergency Grants in the amount of $150,000 during the course of the Institute's brief 4-year history.

As the Members of the Committee are aware, the President has not requested fiscal year 1983 funding for the continuation of the Institute of Museum Services, believing that the dominant activity previously supported by the Institute should be returned to the local communities where it has been undertaken traditionally.

As you are also aware, the President made no request for the IMS for FY 1982, either. However, when the rescission deadline passed and the Congress provided $10.9 million in funding, we proceeded with our program of support for museum activities. Allow me to describe for the Committee the activities we are undertaking during the current fiscal year.

Activities this fiscal year include the review and processing of approximately 1150 applications for General Operating Support grants, the monitoring of nearly 600 existing grants from 1981, and the reorganization of the Institute as an independent agency. All of the IMS Regulations are being redrafted and the Grant Application package is being completely rewritten.

An Interagency Agreement between the Department of Education and the Institute of Museum Services relating to the provision of certain administrative and other services has been negotiated, its language drafted and agreed upon, and it has, after a number of meetings and conferences, been executed by the Institute. The Institute is participating in Interagency working groups such as the Arts and Humanities Education Working Group, the Museum Working Group of the Federal Council on the Arts and Humanities, the Tax Working Group of the Interagency Committee on Arts and Humanities, and the Institute continues to provide assistance to museums upon request.

In addition, it has been necessary to attend numerous meetings and conferences concerning space allocations, security, furniture, layout, design, etc. attendant upon a possible proposed move into the Old Post Office Building.

A Flow Chart has been drawn, depiciting the natural and necessary flow of work throughout the year, broken down by months and divided into the statutory divisions of the Institute, setting forth deadlines and lead time necessary for the completion of mission as well as the initiation of new projects; it has been brought to final draft stage.

The first inventory ever taken of the Institute's property has been completed. A project for securing high quality all-volunteer interns throughout the year is underway and it is anticipated that a permanent program will be in place in the near future.

But let me emphasize, Mr. Chairman, the Administration's belief that the IMS Grants program providing general operating support for museums could as well be and should be conducted at the local level under private sponsorship. For this reason, Mr. Chairman, the President has not requested additional funds for IMS activities.

Museums are an essential part of the economic fabric and vitality of our country. They are among the most valued institutions of our society. They have a unique role in preserving our cultural heritage and in contributing to scholarship and public education. They comprise a significant nonprofit industry with operating revenues of well over one billion dollars annually. They contribute to local economies in varied ways -- by providing employment, by stimulating tourism, by using their purchasing power for a range of goods and services. Corporations cite museums among the amenities they are seeking in good business locations and attracting employees.

The Administration's proposals would place the responsibility for the operation and maintenance of museums where it belongs, in state and local authorities and in the private sector. The museums of our nation, especially the smaller, local ones, have long been a source of pride to the communities which support them. It is our firm belief that this pride will continue to manifest itself in strong support for these valued institutions.

The Administration is proposing to address the needs of museums through its overall economic program, which is designed to reduce inflation and to stimulate the economy, thereby strengthening the support base of private and local museums.

Historically, one of the strengths of museums has been the pluralism of support which has been encouraged and nurtured by the private, voluntary actions of Americans. There is, in American museums, a vigorous tradition of individual initiative and voluntarism. Philanthropists, art collectors, educators, business executives, neighborhood leaders, and others have contributed to the development and growth of museums by giving their assistance to establish both collections and museums, to create community and school partnerships, and to help underwrite museums' expenses. This volunteer effort is so widespread that most museums in our nation benefit from the talents of unpaid staff members. This spirit of voluntarism has brought museums closer to the people they serve. Volunteers are among the most vigorous promoters of museums. Their enthusiasm and dedication is, in large part, responsible for the growth and excellence of our museums. And the spirit of voluntarism has grown throughout the years. Before there was federal support of museums, volunteers performed many of the necessary tasks involved in the day-to-day operation of these great institutions. I personally believe in volunteerism, and the Reagan Administration has actively encouraged this spirit in America.

It is equally important that museums have wisely developed a broad-based approach to generate revenues to meet their operating needs -- through diverse sources such as individual contributions, membership fees, endowment income, business donations, state and local governmental support, foundation grants, and earned income from admission fees, revenues from museum shops, travel tours, charity auctions, etc.

The Institute of Museum Services has played a role in the support base over the past four years by providing a small percentage of the funds for museums to meet their general operating needs.

The maximum IMS grant is $35,000 or a maximum of 10% of a museum's budget, whichever is smaller. This policy was implemented in 1980-1981 by the Museum Services Board, which establishes all policy for the Institute, when it was found that the more ambitious goal of providing 30% of small museums' budgets could not be met in the context of providing funds to a reasonable percentage of qualified applicants seeking IMS support.

The Institute's grant funds for 1982 - $10.9 million, represent only approximately 1% of the billion dollars plus that museums will expend this year for their operating needs.

In 1979, according to the Museum Program Survey, almost half (42%) of the operating revenues of museums were generated from earned income. State and local governments provided an additional 29% of museum revenues. Approximately 14% of total operating income came from the Federal government, with only a small percentage (6%) directed to non-federally operated museums.

It is worthwhile to consider briefly the benefits that are accruing to America's museums as a result of the dramatic reduction in inflation. The inflation rate when the President was sworn in was 12.5 percent. But now - just 15 months into this Administration - inflation has come down to an annual rate of 3.5 percent. I believe the Administration's policies have had an impact on inflationary expectations. If we can continue to keep this inflation rate down over time, we will have benefitted all the people, and museums are particularly situated to take special advantage of this remarkable in-road we have made on inflation. As you know, museums are disproportionately high energy users because collections must be maintained at consistent levels of temperature and humidity or risk irreversible decay. And with energy costs declining substantially, it may be reasonably hoped that this will further relieve museums of substantial financial burden.

In this time of economic hardship, serious choices must be faced in allocating scarce government resources. No one need remind us of the deficits our nation's economy is facing. Every sector of our country has been forced to tighten its belt. Across-the-board cuts are needed. Programs must be reduced in order to bring about economic recovery. This Administration's policies are designed to bring about the needed change which will once again put our financial affairs back in order.

In recent years museums have been victimized by spiralling inflation, a shrinking tax base, and high interest rates. The Administration is addressing these problems through its comprehensive economic program.

The Administration believes that the best climate for museums in the years ahead is a responsive economy from which they can continue to draw upon private and local initiatives to grow and to flourish.

By returning the responsibility back to local communities rather than encouraging competition for the federal dollar, our museums will grow rich in diversity and maintain their historic leadership role in their communities.

Mr. Chairman, this concludes my prepared statement. I would like to thank you for this opportunity to describe the activities of the Institute and to explain the Administration's rationale for believing that the private sector with State and local government support, in a low-inflation economy, is a more appropriate source for the Institute's activities.

I would be happy to answer any questions that the Committee may have.

INTRODUCTION OF ASSOCIATES

Mrs. TOWER. Thank you very much, Mr. Chairman.

Behind me, if I may, I would like to introduce Pat Alexander of the Office of Legislation, who is accompanied by Tony Blankley, also of the same office; Carol Cichowski, Office of Planning, Budget, and Evaluation; and Ted Sky, Office of the General Counsel. Mr. Sky has been most able counsel for the IMS since its birth.

Senator MCCLURE. A male midwife.

Mrs. TOWER. Mr. Chairman, I appreciate the opportunity to appear before you today to discuss the Institute of Museum Services and the administration's fiscal 1983 budget request.

Before I begin, however, permit me to express my very real appreciation to this committee for the bipartisan interest and concern you have shown over the years for the well-being of our Nation's museums.

HISTORY OF IMS

As you know, the Institute was first authorized in 1976 to help maintain, improve, and increase museum services. Since its inception in 1977, IMS has played a unique role among Federal arts and humanities programs in that it provided general operating support funds to museums.

That role has been endorsed and encouraged by the National Museum Services Board, which is the Institute's policymaking body, and in past years by actions taken by Congress to reauthorize the Institute and approve appropriations for museums' operating needs.

In fulfillment of its mandate, the Institute has awarded $30.6 million in general operating support grants to museums over the past 4 years—or approximately 91 percent of total program dollars. The Institute has also, as the committee is aware, provided special project grants amounting to $2,772,000, museum assessment program grants totaling $240,000 in 1981, the only year of the program's existence, and emergency grants in the amount of $150,000 during the course of the Institute's brief 4-year history.

FISCAL YEAR 1983 REQUEST

As you are aware, Mr. Chairman, the President has not requested funding for the continuation of the Institute of Museum Services, believing that the dominant activity previously supported by the Institute should be returned to the local communities where it has been undertaken traditionally.

As you are also aware, the President made no request for the IMS for fiscal year 1982, either. However, when the rescission deadline passed and the Congress provided $10.9 million in funding, we proceeded with our program of support for museum activities. Allow me to describe to you, Mr. Chairman, the activities we are undertaking during the current fiscal year.

Activities this fiscal year include the review and processing of approximately 1,150 applications for general operating support grants, the monitoring of nearly 600 existing grants from 1981, and the reorganization of the Institute as an independent agency. All of the IMS regulations are being redrafted, and the grant application package is being completely rewritten.

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The Institute is participating in interagency working groups such as the Arts and Humanities Education Working Group, the Museum Working Group of the Federal Council on the Arts and Humanities, the Tax Working Group of the Interagency Committee on Arts and Humanities, and the Institute continues to provide assistance to museums upon request.

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LOCAL SUPPORT OF MUSEUMS

But let me emphasize, Mr. Chairman, the administration's belief that the IMS grants program providing general operating support for museums could as well be and should be conducted at the local level under private sponsorship. For this reason, Mr. Chairman, the President has not requested additional funds for IMS activities.

The administration's proposals would place the responsibility for the operation and maintenance of museums where it belongs, in State and local authorities and in the private sector. The museums of our Nation, especially the smaller local ones, have long been a source of pride to the communities which support them. It is our firm belief that this pride will continue to manifest itself in strong support for these valued institutions.

It is important to note, Mr. Chairman, that museums have wisely developed a broad-based approach to generate revenues to meet their operating needs—through diverse sources, such as individual contributions, membership fees, endowment income, business donations, State and local government support, foundation grants, and earned income from admission fees, revenues from museum shops, travel tours, charity auctions, et cetera.

The Institute of Museum Services has played a role in the support base over the past 4 years by providing a small percentage of the funds for museums to meet their general operating needs.

The maximum IMS grant is $35,000 or a maximum of 10 percent of a museum's budget, whichever is smaller. This policy was implemented in 1980–81 by the Museum Services Board, which establishes all policy for the Institute, when it was found that the more ambitious goal of providing 30 percent of small museums' budgets could not be met in the context of providing funds to a reasonable percentage of qualified applicants seeking IMS support.

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In 1979, according to the museum program survey, almost half of the operating revenues of museums were generated from earned income. State and local governments provided an additional 29 percent of museum revenues. Only approximately 6 percent came from the Federal Government.

ECONOMIC OUTLOOK

It is worthwhile to consider briefly the benefits that are accruing to America's museums as a result of the dramatic reduction in inflation. The inflation rate when the President was sworn in was 12.5 percent. But now, just 15 months into this administration, inflation has come down to an annual rate of 3.5 percent. I believe the administration's policies have had an impact on inflationary expectations.

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Mr. Chairman, this concludes the highlights of my prepared statement. I would like to thank you for this opportunity to describe the activities of the Institute and to explain the administration's rationale for believing that the private sector with State and local government support, in a low-inflation economy, is a more appropriate source for the Institute's activities.

STAFFING

Senator McCLURE. Thank you very much for your statement, Mrs. Tower.

This is the second year in a row that funds provided for IMS have been proposed for rescission. We assume that this has a negative impact on your staffing situation. Of the 12 positions which are authorized for your staff, how many are presently vacant?

Mrs. TOWER. Mr. Chairman, the probable answer is 4, although the OMB speaks in terms of 12 man-years. And if I were actually to hire more people, I believe that I would be in a position to hire more than four.

I think it is interesting to note in this context that at the height of IMS staffing, which came in fiscal year 1981, there were 21 persons on board for a program of approximately $12.2 million in grant funds. This year there are now eight, and we have $10.9 million in program dollars. That is a substantial reduction in staff at a great saving to the taxpayer.

Senator McCLURE. Of those on the staff, how many are full-time, permanent civil service personnel, and how many are working under a contractual arrangement?

Mrs. TOWER. Permanent full-time are three, Mr. Chairman. And contractual at the present time are also three. One expires in short order, in July.

Senator McCLURE. We have been told that you have no budget officer or finance officer and that you have to rely on the Department of Education for those services. Is that correct?

Mrs. TOWER. Yes; it is correct.

Senator McCLURE. In view of the present situation, if Congress were to deny the proposed rescission, do you feel your existing staff could adequately evaluate, fund, and monitor grants that would be awarded?

Mrs. TOWER. Mr. Chairman, the rescission has, in effect, expired, and I am unquestionably in a position to adequately discharge the congressional mandate. As a matter of fact, we are well into our grants year at the present time.

OTHER FEDERAL SUPPORT FOR MUSEUMS

Senator McClure. As you know, the Federal Government has other means of supporting museum services. The National Endowments for the Arts and the Humanities will have spent a total of more than $79 million in support of museum activities from their regular program funds. During this same period, the total resources of the Institute of Museum Services were just over $33 million. If the activities of the Institute were terminated, do you feel that the Endowments would broaden the scope of the museum projects they fund in order to support the types of activities in which IMS has been involved?

Mrs. Tower. Mr. Chairman, I cannot speak or answer for the Endowments. I am not authorized to, nor in my capacity as Director of the Institute of Museum Services am I qualified to.

NATIONAL MUSEUM SERVICES BOARD

Senator McClure. The National Museum Services Board has not met during fiscal year 1982. The Board is supposed to consist of 15 voting and 5 ex officio members. How many members does the Board currently have?

Mrs. Tower. Sir, respectfully, the Board has met in fiscal year 1982. It met in October 1981. It met again in December 1981, which was the first Board meeting I attended, having been sworn in on the 11th of December in the morning and I joined the Board meeting in progress.

The Board presently has six members, two of whom expire in a number of months, and having only six it clearly has not a quorum.

Senator McClure. Do they intend to fill those vacancies?

Mrs. Tower. I understand, Mr. Chairman, that the White House nominees are in process. Their cases are in the paperwork stage at the present time. How many names will come out of that stage and be sent to Congress I cannot speak to.

Senator McClure. Actual personnel compensation and benefits for the Board totaled $3,306 in fiscal year 1981. The 1982 estimate is $24,200, an increase of more than seven times. What is the reason for this?

Mrs. Tower. Mr. Chairman, I cannot give you an exact answer to that, but I can give you a partial answer.

No. 1, it is my understanding that the Board anticipated functioning in a full sense, which would mean committee meetings, among other things.

In addition, there has been a change administratively in the apportionment of salary. The Executive Assistant to the Board, which was previously carried on the IMS administrative payroll and not on the Board payroll, is now carried 50 percent of the time on the Board's payroll. That is $10,000.

In any event, this is a spending plan. It is not required to spend these moneys. And, second, the plan was drawn up by Mr. George Sebolt, and I am in no position whatever to answer in any manner for Mr. George Sebolt.

Senator McClure. You don't expect that they will spend that much, or you have no knowledge as to how much they may spend?

Mrs. Tower. I could not at the present time have that knowledge.

Senator McClure. I wonder if you would provide for the record an estimate of what you expect that they will spend if money is appropriated to IMS. They are an advisory board to IMS, and I assume the responsibility rests with IMS. If you would provide that for the record, I would appreciate it.

Mrs. Tower. I will endeavor to do so, Mr. Chairman. The budget of the Board, which was described by Mr. Sebolt on December 11 at the Board meeting, breaks down as follows: Five meetings at $5,000 or $6,000 per meeting, which is $30,000; committee meetings, 30 man-days at $10,000; Executive Assistant, half-time, $10,000; Office of Executive Assistant, $4,000; additional costs for meeting outside Washington, $3,000; and other unitemized expenses at $10,000.

I will submit an additional statement later for the record, as the facts emerge.

Senator McClure. If you would, please. And I believe since the appropriation does go to IMS, IMS has responsibility and the Board cannot act independently. I am not sure they agree with that statement. I would hope you do, and I would hope that is resolved.

Mrs. Tower. I do agree with that statement, Mr. Chairman.

REQUIREMENTS FOR FISCAL YEAR 1983

Senator McClure. I would hope, too, that you and they will be able to submit to us very soon your estimate of 1982 expenditures, since there seems to be some doubt, and your estimate of requirements for 1983, in the event that Congress did not see fit to follow the Presidential recommendation.

I recognize that OMB doesn't like you to submit estimates on things they don't want—but that is the reason for my request to you directly. I hope maybe in that manner we can get something on the record that OMB doesn't want. That is a help to us in determining what we need to do.

Incidentally and parenthetically, I think one of the most outrageous attempts recently to hamstring the Congress was directly from OMB. It said, "Nobody is supposed to tell Congress anything except what we approve." If they want to guarantee a shambles, that's the way to get it, leaving us to wallow in our abyssmal ignorance. If they hope to guide us or direct us, it ought to be cooperative rather than confrontational.

I know you have great influence with Dave Stockman, and I expect you will take that message back to him.

Mrs. Tower. I am greatly complimented by your confidence in me, Mr. Chairman.

Senator McClure. The fiscal 1980 appropriations for the Board totaled $60,000, of which only $30,000 was spent. In 1981 appropriations were $72,000 of which only $37,080 was spent. If a decision is made to continue IMS, it seems to me we have been providing resources to the Board substantially in excess of the requirements. Therefore, we need some guidance from your perspective, from your position of responsibility.

SPECIAL PROJECTS

For fiscal year 1982, $720,000 was appropriated for special projects. The Board has made a determination that no special project grants will be awarded regardless of the action taken on the rescission proposal. What was the reason for that decision?

Mrs. TOWER. Mr. Chairman, unfortunately I cannot answer that definitively at this time. That decision was taken in October 1981 in the Board meeting. As I have stated, I was not on board as Director at that time.

It is clear that $720,000 has in fact been appropriated. It is also clear that this is an urgent matter which I must bring to the Board's attention and that some action is required on this forthwith.

However, I submit to you, sir, and to this committee, that the Board, not having a quorum, is not in a position to make a redetermination of policy on this issue at this time. The only policy determination I have from the Board is that it did not wish special projects to go forward.

On the other hand, I am aware of the administration's position that they have rescissions or proposed rescissions for all of 1982's grant funds. I am a creature of the administration, and I serve at the pleasure of the President. I have sought the advice of counsel on this, and I have no clear answer to give you.

Senator MCCLURE. I'm sure the President is pleased that you serve. But let me indicate my concern here—and there isn't anyone who is a more loyal supporter of the President and this administration than am I, but occasionally the Congress arrives at a different decision than does the administration. Under current policy, the Institute should submit a reprograming if no special projects are to be awarded. I understand that if there is no quorum, the Board cannot meet to suggest such a reprograming. But I would be very reluctant to accept as a fait accompli the idea that the administration can fail to make appointments, and thereby deprive an essential body of the number of people necessary to provide a quorum for decision, and thereby neatly sidestep our committee requirements.

Mrs. TOWER. I am not under the impression, sir, that the administration sits on its hands or fails in any sense to make these appointments. It has not been in office very long, as you are well aware, and it has had a massive workload and a staggering number of appointments to make. As I stated previously, I am informed that the names are in process at this time.

Senator MCCLURE. My understanding is the $720,000 will not be carried over, and I don't believe the money can be used for other purposes unless reprograming is approved. Reprograming is the manner by which the administration and the Congress make decisions, and I fully expect the administration will comply in this instance.

Was any action taken to inform the appropriate congressional committees of the decision by the Board not to make any of these special project grants?

Mrs. TOWER. Mr. Chairman, I cannot assume either that it was or that it wasn't. I was not on board as Director at that time.

Senator MCCLURE. Well, I assume from your statement, as well as from the provisions of law, that the appointments will be made to the Board and the Board will proceed to meet as the law requires.

I would hope that you will discuss this matter as a matter of some urgency with the Board when they do meet this year. I would hope that the Board could provide some policy guidance prospectively rather than simply second-guessing the Congress after appropriations are made.

I have a couple of other questions, but the balance of the questions I will submit for the record and you can provide responses in writing for the record, if you would, please.

Mrs. TOWER. Thank you, Mr. Chairman.

RELOCATION OF IMS

Senator MCCLURE. If a decision is made to continue the Institute, are you scheduled to relocate to the Old Post Office Buildng?

Mrs. TOWER. Yes, sir.

Senator MCCLURE. Have there been some savings in your fiscal 1982 administrative budget which would allow you to pay for the cost of the move?

Mrs. TOWER. That is a very difficult question for me to answer, and the reason it is is that I have no accurate measure, nor is one obtainable or available to me, as to what the costs have been administratively to run my agency since I have been on board. For 4 months I have been calling for a statement of my position repeatedly. I not only do not know what has happened to my funds administratively in a definitive and accurate sense since I have been appointed, but I cannot even tell you now how much money I have in the bank, so to speak.

Having no accurate basis, therefore, to judge my present position and what has been spent during my term of directorship, although no authorization for the expenditure of moneys can be signed by anybody in the Institute but me, and I have controlled costs to the utmost of my ability and I am rather able in that direction—therefore, not knowing where I am and what I have spent under such cost-cutting controls and management, it is very difficult for me to project what funds may be available. Indeed, it is impossible for me to project what my needs will be when we do transfer out, if we indeed do, of our existing location.

NEED FOR ADDITIONAL INFORMATION

Senator MCCLURE. It seems to me to be an inherently impossible situation for either you or for us to sit without having any idea of where we are. I think we must develop the information from whatever sources and in whatever manner is necessary to be able to make a definitive statement about where we are, let alone where we are going.

Mrs. TOWER. Mr. Chairman, I am in total agreement with you. I can merely submit this, that the year-end figures that I have received from the Department of Education for fiscal year 1981 are, in a number of senses, widely disparate from those figures which have been developed in our own office. And this issue must be resolved. I must have accurate financial data. I am responsible in the highest fiduciary capacity for the expenditure of taxpayers' money, and I intend to get to the bottom of this.

Senator McCLURE. I hope when you receive that information you will make it available to our committee along with some other information which I will request in the written submissions. If there are ways in which we can be of assistance in getting that straightened out, I hope you will please identify them to us, because we feel just as strongly about the necessity as do you.

Mrs. TOWER. If I am unable to get it straightened out within a reasonable time frame, I will indeed come for your aid.

Senator McCLURE. Thank you very much.

Mrs. TOWER. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. The written responses, together with the questions, will be made a part of the record when received.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Question. What was the average attendance at Board meetings in fiscal 1981?

Answer. Board meeting attendance - Fiscal year 1981:

October 10-11, 1980 - 10 members attended

December 12-13, 1980 - 10 members attended

March 6, 1981 - 10 members attended

July 24, 1981 - 12 members attended

Question. Congress has twice denied the Institute's proposal to begin a program of multi-year matching grants. If only GOS and special project funds were made available, would all museums be eligible and what would you anticipate to be the maximum grant award?

Answer. I cannot anticipate policy directives of the Board; eligibility and size of grant are both matters of policy.

Question. Please provide for the record a list of all museums which have received IMS grants for more than 1 year and the amount granted each year?

Answer. The information follows:

MUSEUMS RECEIVING GRANTS FOR MORE THAN ONE YEAR

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
Alabama				
Birmingham Museum of Art	20,000			33,460
Tannehill Historical State Park		25,000		*(M) 600
Alaska				
Sheldon Museum & Cultural Center			6,500	5,801
Arizona				
Navajo Tribal Museum	15,491		12,700	(M) 600
Flandrau Planetarium	17,484	17,395	29,192	33,460
Casa Grande Valley Historical Soc.			18,800	8,000
Desert Botanical Garden			35,000	33,460
Arkansas				
Old Commissary Museum Association	2,900		16,245	8,701
Arkansas County Agricultural Museum		9,000	13,000	(M) 600
Old State House			19,908	30,340
Shiloh Museum				(M) 600
				6,211
				(M) 600
California				
Calif. Museum of Science & Industry	15,000		35,000	33,460
California Academy of Sciences	25,000	25,000	35,000	33,460
Catalina Island Museum Association	3,000	4,659	6,164	5,000
				(M) 600
Santa Barbara Zoological Gardens	21,555		35,000	33,460
Los Angeles County Museum of Art			35,000	33,460
Fine Arts Museum of San Francisco	5,000	25,000		33,460
Newport Harbor Art Museum	10,000	25,000		
U. Cal./Berkeley Art Museum	25,000		35,000	

*All figures are for General Operating Support (GOS) unless indicated otherwise as S (Special Projects) or E (Emergency Grants) or M (Museum Assessment Program).

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
The Exploratorium	25,000	25,000	35,000	33,460
Univ. of Calif. Scripps Aquarium	17,567	20,006		
Lawrence Hall of Science	15,000	25,000	35,000	33,460
Alexander Lindsay Junior Museum		20,000	30,000	25,000
Boronda Adobe History Center		2,550		5,000
Carpinteria Valley Museum of History		3,765	5,000	4,000
Community Memorial Museum		6,138	9,715	6,357
Coyote Point Museum		14,997	35,000	30,000
Fullerton Arboretum		25,000	35,000	28,000
Huntington Library-Art Gallery & Botanical Garden		25,000		33,460
Los Angeles State & County Arboretum		25,000	35,000	33,460
Los Angeles Zoo		25,000		25,000
Mendocino County Museum		20,119	24,134	
Redding Museum and Art Center		18,161	23,500	19,199
Sacramento Science Center & Jr. Museum		25,000	35,000	21,261 (M) 600
San Francisco Museum of Modern Art		25,000		33,460
San Joaquin County Historical Museum		13,000		(M) 600
Santa Barbara Museum of Art		25,000	35,000	33,460
Santa Barbara Museum of Natural History		25,000		33,460
Santa Barbara Botanical Garden		15,000		33,000
San Diego Zoo		25,000	35,000	33,460
Art Museums & Galleries			35,000	20,425
Asian Art Museum of San Francisco			35,000	33,460
Long Beach Museum of Art			35,000	(M) 600
Los Angeles Children's Museum			35,000	33,460
Mount Saint Mary's Fine Arts Gallery			5,000	5,000
Stanford University Museum of Art			35,000	25,000
Ventura County Historical Museum			35,000	26,625
Calaveras County Museum			7,832	3,640 (M) 600
Crocker Art Museum				33,460 (M) 600
La Habra Children's Museum				14,036 (M) 600
Maturango Museum of Indian Wells Valley				5,618 (M) 600
Norman Marsh Nature Center				4,320 (M) 600
The Oakland Museum			(S) 35,000	33,460
Colorado				
Children's Museum of Denver	15,000	25,000	35,000	33,460
Denver Art Museum		25,000	35,000	33,460
Western Museum of Mining & Industry	13,385	25,000	30,000	(M) 600
Denver Museum of Natural History		25,000		33,460
Denver Zoological Gardens		25,000		28,635
Fort Morgan Museum		9,623		5,000 (M) 600
Hiwan Homestead Museum		8,400		5,000
Boulder Historical Society Museum			11,384	5,000
Colorado Historical Society			35,000	33,460
Connecticut				
American Indian Archeological Institute	24,500	25,000	35,000	33,460
Bradley Air Museum	15,000		(E) 10,000	
Museum of Art, Science & Industry	10,000		26,000	
Wadsworth Atheneum	25,000	25,000		33,460
Antiquarian & Landmarks Society		16,500	16,500	5,780
Connecticut Audubon Society		10,000	25,000	23,179
Environmental Centers, Inc.		25,000	35,000	
Florence Griswold House		20,000		8,000
Litchfield Historical Society		9,000		6,400
Lockwood-Matthews Mansion Museum		12,600		13,000 (M) 600
Mark Twain Memorial		25,000		18,639
New Britain Museum of American Art		20,000		15,124
New Britain Youth Museum		6,275	(S)14,000	
Peabody Museum of Natural History		25,000		33,460
Stamford Historical Society		6,990	35,000	
Thames Science Center		7,000	10,000	
Yale University Art Gallery		25,000	35,000	33,460
Hoyt Barnum House			8,000	5,000
Fairfield Historical Society				8,100 (M) 600

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
Delaware				
Hagley Museum	25,000			33,300
Winterthur Museum	25,000	25,000	35,000	33,460
Historical Society of Delaware	25,000	25,000		
District of Columbia				
Corcoran Gallery of Art	25,000	25,000	35,000	33,460
Textile Museum	13,900			33,460
Folger Shakespeare Library		25,000	35,000	33,460
Capital Children's Museum			35,000	33,460 (M) 600
Florida				
Museum of Science	25,000	25,000		
Pensacola Historical Museum	5,000	12,000		7,645
Pensacola Museum of Art	10,000	18,000		7,900
John Young Museum & Planetarium	15,000			33,460
Florida State Museum	24,951	25,000	35,000	33,460
Continuum Inc., Discovery Center		25,000	35,000	(M) 600
Marie Selby Botanical Gardens		25,000		(E) 10,000
West Florida Museum of History		25,000	35,000	
Historical Museum of Southern Florida			35,000	28,248
Tall Timbers Research Station Museum			(S) 29,025	5,813
Deland Museum				5,000 (M) 600
Jax Museum of Arts and Sciences				33,460 (M) 600
Norton Gallery & School of Art				33,460 (M) 600
Tallahassee Junior Museum				29,213 (M) 600
Georgia				
Augusta Richmond County Museum		25,000	35,000	
Atlanta Botanical Garden				13,865 (M) 600
Georgia Agrirama	22,500			33,460
Museum and Archives of Georgia Ed.	5,000			5,000 (M) 600
Hay House Museum		9,600	25,000	6,500
Museum of Coastal History			16,000	8,888 (M) 600
Hawaii				
Bishop Museum	25,000	25,000	10,000	33,460
Harold L. Lyon Arboretum	22,205	25,000		
Mission Houses Museum		25,000		22,793
Idaho				
Latah County Historical Society		10,960	17,790	7,000 (S) 9,002
Illinois				
Adler Planetarium	25,000	25,000		33,460
Chicago Historical Society	25,000	25,000		
Chicago Zoological Park	25,000	25,000	35,000	33,460
Field Museum of Natural History	25,000	25,000		33,460
Freeport Art Museum	10,000	10,000		(M) 600
Illinois State Museum	15,000			33,460
Lincoln Park Zoo	25,000	25,000	35,000	
Museum of Science & Industry	25,000	25,000	35,000	33,460
Maurice Spertus Museum of Judaica	10,000	25,000		
Krannert Art Museum	12,500	25,000	35,000	
Oriental Institute Museum	15,000	15,000	35,000	
Art Institute of Chicago		25,000	35,000	33,460
Champaign County Historical Museum		11,535	33,702	7,387
Frank Lloyd Wright Home & Studio		11,508		32,000 (M) 600
Giant City Nature Center		14,185	15,090	
McLean County Historical Society Museum		11,555		12,168 (M) 600
Galena Historical Museum			17,230	7,020 (M) 600
Miller Park Zoo			10,000	16,000

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
Indiana				
Children's Museum of Indianapolis	23,860	25,000		33,460
Historic Fort Wayne		20,000	35,000	(M) 600
Indianapolis Museum of Art		25,000		33,460
President Benjamin Harrison Home		2,428		5,000 (M) 600
Fort Wayne Children's Zoo			35,000	20,000
Iowa				
Living History Farms	25,000	25,000	35,000	33,460
Grout Museum of History & Science		17,000	16,200	10,000 (M) 600
Montauk Historic House		3,200	4,400	5,695
University of Iowa Museum of Art		25,000		33,460
Charles H. MacNider Museum			25,000	14,996
Des Moines Art Center			35,000	33,460
Putnam Museum			35,000	27,393
Kansas				
Historic Wichita	25,000		35,000	
Kansas State Historical Museum	10,000	24,858	34,446	15,276
Helen Spencer Museum of Art	25,000	25,000		33,460
Museum of Natural History, U. Kansas		25,000	34,994	33,460
Kansas Cosmosphere & Discovery Center		24,950	34,800	
Kentucky				
NONE				
Louisiana				
Louisiana Nature Center	12,000		25,000	30,148
Howard Tilton & Newcomb Galleries		7,650	27,500	6,389
Acadian Village			28,413	7,600
Pioneer Heritage Center			20,000	5,400 (M) 600
Maine				
Penobscot Marine Museum	8,000	8,000	10,000	10,000
Bowdoin College Museum of Art	12,500	25,000	35,000	29,116
Maine Maritime Museum		20,000	30,000	33,460 (M) 600 (E) 10,000
Norlands Living History Center		25,000		7,771 (M) 600
Portland Museum of Art		25,000		30,971
Old Gaol Museum			19,000	5,858
Maryland				
Baltimore Streetcar Museum	3,000		5,000	5,000
Chesapeake Bay Maritime Museum	10,000	25,000		33,460
Maryland Academy of Sciences	15,000	25,000		33,460
Wildfowl Art Museum	8,000	20,000		
Baltimore Museum of Art	25,000		35,000	33,460
Walters Art Gallery	20,000	25,000		33,460
Calvert Marine Museum		21,000	29,800	20,146
Carroll County Farm Museum		12,000	21,000	(M) 600
Maryland Institute College of Art			12,300	12,500
Masschusetts				
Boston Zoological Society	25,000			(S) 24,842
Children's Museum	25,000		35,000	33,460 (M) 600
De Cordova & Dana Museum & Park	25,000			33,460
Fitchburg Art Museum	1,494		26,750	
Fogg Art Museum	24,936	25,000	35,000	33,460
Drumlin Farm Education Center	25,000	25,000	35,000	28,390 (E) 10,000
Laughing Brook Education Center	8,000	25,000	3,500	14,551
Museum of Fine Arts, Boston	25,000	25,000		33,460
New England Aquarium	25,000	25,000		33,460
New England Wildflower Society	5,000	24,622		10,670 (M) 600

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
Old Sturbridge Village	25,000	25,000		33,460
Plimoth Plantation	25,000			33,460
Berkshire County Historical Society		8,500	11,000	5,974
Cape Ann Historical Association		21,000	20,000	8,954 (M) 600
Connecticut Valley Historical Museum		9,500	15,000	7,652
Danforth Museum		20,000	30,000	25,000
Historic Deerfield, Inc.		25,000		33,460
Lowell Museum		15,935		8,296
Museum of Science		25,000	35,000	33,460
Peabody Museum		25,000		33,460
Peabody Museum of Salem		25,000	35,000	33,460
Pilgrim Hall		19,119	23,660	
Wellesley College Museum		25,000	35,000	21,374
Brockton Art Museum			35,000	33,460
Mineralogical Museum			19,045	6,099
New Bedford Whaling Museum			30,000	31,555 (M) 600
Quincy Historical Society Museum			11,350	7,248 (M) 600
Society for the Preservation of New England Antiquities			35,000	33,460
U.S.S. Constitution Museum Foundation			25,000	33,460
Springfield Science Museum			35,000	33,460
Michigan				
Cranbrook Institute of Science	15,000	25,000		
Detroit Institute of Arts		25,000	35,000	33,460
Kalamazoo Institute of Arts		22,490	35,000	30,165
Iron County Museum			4,500	5,000
John Ball Park Zoological Garden			35,000	33,460
Lake Michigan Maritime Museum			25,000	6,714
The Museum			34,500	33,460
Museum of Arts and History			27,000	8,860
New Hampshire				
Montshire Museum of Science	12,000			13,289
New Hampshire Historical Society		23,500		27,500 (M) 600
Strawbery Banke		25,000	33,000	22,000
Dartmouth College Museum & Galleries			35,000	32,590
Manchester Historic Association			15,000	5,000 (M) 600 (S) 11,450
New Jersey				
Morris Museum of Arts & Sciences	10,000		35,000	
The Newark Museum	6,500			33,460
Bainbridge House		3,894	10,710	9,938
Clinton Historical Museum Village		10,000	16,000	(M) 600
Wheaton Village		25,000	35,000	33,460
Rutgers University Art Gallery			35,000	33,300 (M) 600
New Mexico				
Living Desert State Park	10,000		34,295	(M) 600
Millicent Rogers Museum	10,000			13,650 (M) 600
Santuario de Nuestra Senora de Guadalupe		1,592	9,000	5,000
Museum of New Mexico			34,077	33,460
New York				
Adirondack Center Museum	25,000		25,000	
American Museum of Natural History	25,000	25,000		33,460
Arnot Art Museum	12,500	25,000		(M) 600
Brooklyn Botanic Garden	25,000	25,000	35,000	33,460
Buffalo Museum of Science	10,000	25,000	35,000	33,460
Chemung County Historical Society	5,950	9,707	16,990	7,860 (M) 600
Metropolitan Museum of Art	25,000	25,000	35,000	33,460
Museum of American Folk Art	15,000			25,000
Museum of Modern Art	25,000	25,000	35,000	33,460
New York Botanical Garden	25,000	25,000	35,000	33,460
Bronx Zoo	25,000	25,000	35,000	33,460
Pierpont Morgan Library	25,000	25,000		33,460
Rensselaer County Historical Society	8,000	12,000	20,000	8,383
Staten Island Zoo	25,000			33,460

State and Recipient	Year and Amount Funded 1978	1979	1980	1981
The Brooklyn Museum	25,000	25,000	35,000	33,460
Jewish Museum	10,000	25,000		
Museum of Broadcasting	10,000			33,460
Hoyt Farm Nature Center	5,000			5,650
Memorial Art Gallery	25,000		35,000	33,460
Wildcliff Museum	25,000	25,000	25,000	33,460 (M) 600
Yeshiva University Museum	10,627			11,482
Buffalo Zoo	25,000			33,460
Brooklyn Children's Museum		35,000	35,000	33,460 (M) 600
Chapman Historical Museum		10,068	16,803	7,085
Cottage Lawn		2,500	5,000	5,000 (M) 600
1890 House Museum		19,600	33,400	8,500 (M) 600
Emily Lowe Gallery		18,000	35,000	
Fenton Historical Society		15,780		9,413 (M) 600
Fraunces Tavern Museum		25,000	35,000	28,400
Geneva Historical Society		12,500	18,000	5,797
Hanford Mills Museum		10,000	15,000	5,000
Herbert F. Johnson Museum of Art		25,000		33,460
International Museum of Photography		25,000		33,460
Museum of Holography		25,000		15,000
Museum of the American Indian		25,000		33,460
Museum of the City of New York		25,000	35,000	33,460
Museums at Stony Brook		25,000		33,460
Northport Historical Society Museum		9,400		5,000 (M) 600
Ontario County Historical Museum		13,316	26,400	10,027 (M) 600
Potsdam Public Museum		4,500		5,000 (M) 600
Roberson Center for the Arts & Sciences		25,000		33,460 (E) 10,000
Sleepy Hollow Restorations, Inc.		25,000	35,000	33,460
South Street Seaport Museum		25,000	35,000	33,460
Van Alen House & House of History		12,000	35,000	7,000
Snug Harbor Cultural Center			35,000	33,460
Albright-Knox Art Gallery/ Buffalo Fine Arts Academy		25,000	35,000	27,345
Chautauqua County Historic Center			10,000	5,186
DeWitt Historical Society			17,985	8,388 (M) 600
The Drawing Center			35,000	18,183
Hudson River Museum			35,000	33,460
Neversink Valley Area Museum			24,344	5,000 (M) 600
Rochester Museum & Science Center			35,000	33,460
Schenectady Museum			35,000	27,689
Solomon R. Guggenheim Museum			35,000	33,460
Theodore Roosevelt Inaugural National Historic Site			25,600	19,375
University Art Gallery/SUNY Albany			22,705	12,954 (M) 600
Visual Studies Workshop			35,000	33,460
Whitney Museum of American Art			35,000	33,460
Bronx Museum of Arts			(S) 29,474	31,859
Adirondack Center Museum			12,000	6,111
Seneca Falls Historical Society Museum			13,350	5,000 (M) 600
Jefferson County Historical Society			22,000	11,523
Kent-DeLord House			11,000	6,000 (M) 600
North Carolina				
Asheville Art Museum Association	1,750	4,000		5,000
Charlotte Nature Museum	9,000	25,000	15,000	33,460
High Point Museum		15,397		10,500
North Carolina Botanic Garden	6,000	25,000	35,000	33,460
Old Salem, Inc.	23,414	22,790	35,000	33,460
Museum of Man	13,500	23,230	27,000	9,651 (M) 600
Fayetteville Museum of Art		13,101	15,000	(M) 600
Hickory Museum of Art, Inc.		10,500		5,000
Rowan Art Guild Gallery		6,000	12,000	(M) 600
New Hanover County Museum			35,000	16,089 (M) 600
St. John's Art Gallery			7,500	5,141

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
North Carolina Museum of History	9,523			12,400
Gaston County Art & History Museum				5,947
				(M) 600
North Dakota				
Hettinger County Historical Society	25,000			1,732
State Historical Society	25,000	16,871	10,000	
Ohio				
Canal Fulton Heritage Society	6,000			(M) 600
Cincinnati Art Museum	20,000			33,460
Dayton Art Institute	25,000			33,460
Center of Science & Industry	25,000	22,000	35,000	33,460
Cincinnati Zoo	25,000	25,000	35,000	33,460
Holden Arboretum		25,000	35,000	33,460
Massillon Mueum		19,350		7,000
				(M) 600
Montgomery County Historical Society		12,500	10,000	
Dayton Museum of Natural History			35,000	33,460
Allen Art Museum	15,000			(M) 600
Oklahoma				
Creek Council House & Museum	2,500			5,000
Stovall Mueum of Science & History	14,000	25,000	35,000	33,460
Institute of Great Plains		20,000	35,000	22,275
Oklahoma State University Museum				(M) 600
				(S) 1,500
Museum of the Red River		12,500	25,000	
Cherokee National Museum				26,799
				(M) 600
Philbrook Art Center				33,460
				(M) 600
Oregon				
Oregon Museum of Science & Industry	25,000	25,000	35,000	33,460
				(M) 600
Washington Park Zoo		25,000		33,460
Oregon Historical Society			35,000	33,460
Pennsylvania				
Academy of Natural Sciences	10,000	25,000	35,000	33,460
Bartram's Garden		7,350	10,050	5,000
Brandywine River Museum	15,000		35,000	33,460
Buten Museum of Wedgewood		12,500		17,650
Buhl Planetarium & Institute			35,000	33,460
Ebenezer Maxwell Mansion			14,175	5,000
Fonthill		8,100	10,000	5,223
Franklin Institute Science Museum & Planetarium	25,000	25,000	35,000	33,460
Goldie Paley Design Center		10,435	24,000	7,560
				(M) 600
Johnstown Flood Museum	10,000			6,552
				(M) 600
Institute of Contemporary Art			25,000	33,460
LaSalle College Art Gallery	4,000	6,008		
Lehigh County Historical Society			35,000	19,039
				(M) 600
Lycoming County Historical Museum			14,298	5,000
Mercer Museum			35,000	26,081
				(M) 600
Morris Arboretum	25,000	25,000	35,000	33,460
North Museum		14,562	17,000	9,220
Old Economy Village		25,000		33,460
Pennsbury Manor			25,000	33,460
Philadelphia Museum of Art		25,000	35,000	33,460
Philadelphia Zoological Gardens		25,000		33,460
Please Touch Museum	10,000		25,000	22,078
				(M) 600
Rosenbach Museum & Library	10,000			23,900
				(M) 600
Southern Alleghenies Museum of Art		8,000	8,000	12,000
University Museum, Univ. of Pa.	15,000		(S) 20,981	33,460
Wyck			18,000	7,573
Wyoming Historical & Geological Society			22,000	7,564
				(M) 600

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
Rhode Island				
Haffenreffer Museum of Anthropology	6,000	12,576	21,836	13,748 (M) 600
Slater Mill Historic Site	10,000		20,825	
Rhode Island Historical Society	25,000	25,000		33,460
Roger Williams Park Zoo		20,000	(S)26,198	
South Carolina				
Brookgreen Gardens			35,000	33,460
Charleston Museum	25,000			33,460
Columbia Museums of Art & Science			35,000	33,460
Museum of York County	5,000			27,879 (M) 600
Riverbanks Zoological Park		20,000		33,460
South Dakota				
Agricultural Heritage Museum			14,500	7,700 (M) 600
Civic Fine Arts Center & Art Museum	7,500			8,964
Dacotah Prairie Museum		10,000	15,000	6,225 (M) 600
Dakotah Territorial Museum			18,000	5,558
Middle Border Museum			14,000	6,395
Oscar Howe Art Center	10,000		28,110	23,325 (M) 600
Siouxland Heritage Museum		25,000	35,000	29,365
Shrine to Music Museum		22,799		14,892
South Dakota Memorial Art Center		15,000	25,000	
Tennessee				
Hunter Museum of Art			25,000	33,325
Rocky Mount			34,500	11,084
Ruby Restoration Association	7,000	12,900	23,460	8,568 (M) 600
Texas				
Carson County Square House Museum		7,000	10,000	8,656
John E. Conner Museum	6,000	15,000	15,000	
Laguna Gloria Art Museum			35,000	33,460
Museum of Fine Arts, Houston		25,000		33,460
San Antonio Museum Association	15,000		35,000	33,460
South Texas Artmobile			19,845	23,000
Texarkana Historical Society & Museum		8,497	12,909	5,608
Huntington Art Gallery	(S) 23,089	(S) 24,849	(S) 28,965	(S) 20,002
Utah				
Hansen Planetarium		25,000		33,460
Utah Museum of Natural History		15,000	35,000	
Utah State Historical Society	22,300	(S) 23,224	(S) 33,835	(S) 33,460 (M) 600
Utah Museum of Fine Arts			35,000	33,460
Vermont				
American Precision Museum	10,000		17,700	5,000
Brattleboro Museum & Art Center			21,288	5,880
Fairbanks Museum & Planetarium	24,985	18,000	28,500	19,694
Sheldon Art Museum		5,000	7,500	5,000
Virginia				
Ash Lawn, College of William & Mary			25,000	19,987
Belle Grove		16,022	25,000	8,259
Colonial Williamsburg	25,000	25,000	35,000	33,460
Fort Ward Museum			12,000	8,148 (M) 600
Historic Crab Orchard Museum			8,000	5,000
Maymont Foundation			35,000	33,460 (M) 600
Museum of the Confederacy		19,922	35,000	19,309
Roanoke Valley Science Museum			15,900	20,114 (M) 600
Science Museum of Virginia		25,000	35,000	23,768 (M) 600

State and Recipient	Year and Amount Funded			
	1978	1979	1980	1981
Virginia Museum of Fine Arts	15,675		(S) 14,424	33,460
Woodrow Wilson Birthplace Foundation	10,000			13,453 (M) 600
George Washington Bicentennial Center		(S) 12,552	(S) 19,250	10,898
Gadsby's Tavern	(S) 10,000			9,776
Washington				
Museum of History & Industry			35,000	33,460 (M) 600
Pacific Science Center	25,000	25,000		33,460
Seattle Art Museum		(S) 25,000	35,000	33,460
West Virginia				
Huntington Galleries	10,000			33,460 (M) 600
Wisconsin				
Milwaukee County Zoo		25,000		33,460
Milwaukee Public Museum	14,924	15,074 9,882	35,000	33,460
Oneida Nation Museum		11,877		5,400
Wyoming				
Buffalo Bill Historic Center			35,000	33,460

Question. What would you propose as a ceiling for the 1-year grants?

Answer. This is entirely and exclusively within the purview of the Board as a matter of policy. The present ceiling is $35,000 or 10 percent of a museum's budget, whichever is smaller.

Question. How much will actually be spent for grant readers?

Answer. $15,000 has been spent for (grant readers) field reviewers for fiscal year 1982.

Question. Please provide for the record a 3-year history of the number of applications received and reviewed, the number of grants readers and the expenses for grant readers?

Answer.

Three Year Summary of Grant Applications Received*

(1979, 1980, 1981)

Fiscal year 1979:	
Applications received:	
General operating support	1,470
Special projects	248
Total	1,718
Field reviewers	99
Payment @ $175 each	$17,325
Fiscal year 1980:	
Applications received:	
General operating support	1,357
Special projects	118
Total	1,475
Field reviewers	146
Payment @ $100 each	$14,600
Fiscal year 1981:	
Applications received:	
General operating support	1,205
Special projects	106
Total	1,311
Field reviewers	193
Payment @ $100 each	$19,300

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*IMS staff advises the Director that there are no records on the number of applications not reviewed in fiscal year 1979 and fiscal year 1980.

In fiscal year 1981 three applications were returned and not reviewed.

ESTIMATED EXPENSES
National Museum Services Board
Fiscal Year 1983

Personnel Compensation:	Board Members	=	$15,000
	Executive Assistant ½ time	=	8,000
			$23,000
Personnel Benefits			$ 1,541
Travel and Per diem			$34,952
Office of Executive Assistant:			
	printing		$ 1,200
	rent, communications, utilities		5,048
	other services		3,000
	mailing and reproduction		4,000
	supplies and materials		2,500
		TOTAL	$75,241

Q. Under the provisions of the Reconciliation Bill passed last year, 9 million, 600 thousand dollars is authorized for the Institute in Fiscal Year 1983. Would the following distribution of these funds be a reasonable one: General Operating Support $8,000,000, Special Projects $900,000, National Museum Services Board $40,000, Administration $660,000?

A. The estimated expenses of the National Museum Services Board are set forth with particularity on page 1. The estimated IMS funding needs for Administration in Fiscal Year 1983 will necessarily increase because of relocation and related incremental expenses. The largest of these will be for rent (from $28,300 to $101,835, an increase of $73,535), telephones (61% increase, from $12,600 to $20,300, an increase of $7,700), and for the acquisition of certain services, now provided by the Department of Education, from NEA-NEH, an increase of $30,000.

Significant cost increases are expected when IMS transfers fully over to NEA-NEH services, including mail room, personnel services, payroll, legal services, computer services, contracts and grants, accounting, finance, application control center. The anticipated increase in costs for these services cannot be less than double our present costs, from approximately $30,000 per year to approximately $60,000, an increase of not lest than $30,000.

In addition, for a time, it will be necessary to operate with a duplicity of services, as set forth more fully in answer number 8 herein, at an approximate cost of $10,000.

Total Estimated Built-in Fiscal Year 1983 cost increases over Fiscal Year 1982, from above:

Rent	$ 73,535
Telephones	7,700
NEA-NEH Services	30,000
Duplicity of Services	10,000
Total Increase over FY 1982	$111,235

Q. Has the Board made any recommendations regarding distribution of funds at various total program levels? If so, please provide that information for the record.

A. Absent a quorum, the Board has not met since December 1981 on this or any other policy questions for Fiscal Year 1983.

Q. Once you have a definite date for the move and a firm estimate of the costs of the move, please provide the Committee with that information?

A. Certain information is not yet available from GSA. I have been pressing for it for weeks. As soon as I have a firm moving date I will notify the Committee at once, please be assured.

ESTIMATE OF MOVING COSTS

Telephone installation (17 phones @ $60.00 each & some touch-tone)	$ 1,500
Misc. carpentry	300
Signs	300
Misc. Supplies: boxes, tapes, etc. to move and shelving & supplies for carpentry etc.	250
Movers	2,000
Misc. Office Machinery, files & equipment	15,000
Misc. Furniture & lamps	5,900
Stationary, Printing & Reproduction	2,500
	$27,750

Q. How will the space costs at the Post Office compare with your present costs?

A. The space currently occupied by IMS costs $28,300 per annum (4,260 sq. ft.).

I am advised by the GSA that the space costs at the Post Office Building will be $101,835 (3,853 sq. ft. @ $28.43).*

*This is the current estimate by GSA of the probable costs per sq. ft. for space in the Old Post Office Building.

Q. The January 1982 budget estimated "other services" for Fiscal Year 1981 at $42,000 and for Fiscal 1982 at $86,000. The justifications provided this year show an 1981 level for other services of $111,654 and for 1982 of $135,000. Please provide an explanation of these discrepancies for the record.

A. There is no way that I can explain something of this nature which occurred many months prior to my arrival and over which I had no control and over which I have no control or knowledge.

Q. At the recommendation of the House, IMS has been made a part of the National Foundation for the Arts and the Humanities. Your present arrangement with the Department of Education is scheduled to expire in September. At that time, will you seek to enter into an interagency agreement with the Endowments to provide you with computer support and other administrative services?

A. The Interagency Agreement signed by the Institute provides for its modification or extension by mutual consent beyond its termination date of 30 September. What I envision is that the Institute will enter into agreements for services on a continuing and progressive basis as those services become available. Clearly, services such as, for example, mail and personnel, will become available sooner than computer services, etc.

Q. To date, have you had any discussions with the Endowments as to what types of services they will be able to provide?

A. Discussions have been entered into some months ago and are continuing apace. These are informal discussions only, as no one at the Endowments is presently authorized to negotiate with IMS. Both Endowments are fully consumed with the problems of and the planning for the relocation.

Q. Do you anticipate any difficulties in getting the required assistance from the Endowments?

A. I do not anticipate any difficulties in obtaining the required assistance from the Endowments, both of which are administered and chaired by men of outstanding ability, intellect, efficiency, judgment and good will. The three of us have firmly established a close working relationship.

Those difficulties inherent in any inter-agency transfer of services will lie only in two realms - those of timing and costs. Timing because all three agencies must undergo what will necessarily be a disruptive move and until all three have re-established their own internal equilibriums, no actual services can reasonably be connected into or expected. In addition, for IMS to plug into a single computer which will, for the first time, accommodate both of the Endowments in addition to IMS, will take months and months of working through the complexity necessarily involved.

The incremental costs to IMS of operating, for a time, with a duplicity of computer services which, I am advised, prudence and judgment command in order to avoid nightmare error and the loss of data while the kinks are being worked out, is apparently unavoidable. In addition, it has been indicated to me by NEA that it will not be possible for the Institute to receive certain services now provided by the Department of Education at a figure of the same or similiar magnitude from NEA because of factors not clear to me nor, as yet, acceptable to me. Nevertheless, I am on notice that my computer support and administrative services costs will undoubtedly increase, probably double.

SUBCOMMITTEE RECESS

Senator **McClure**. The subcommittee will stand in recess until May 13 at 9 a.m., at which time we will review the fiscal year 1983 budget estimates for the trust territories and territorial affairs.

[Whereupon, at 11:35 a.m., Thursday, May 6, the subcommittee was recessed, to reconvene at 9 a.m., Thursday, May 13.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, MAY 13, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:05 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

TERRITORIAL AFFAIRS

VIRGIN ISLANDS

STATEMENTS OF:

HON. RON DeLUGO, U.S. REPRESENTATIVE

HON. JUAN LUIS, GOVERNOR OF THE VIRGIN ISLANDS

OPENING REMARKS

Senator McCLURE. The subcommittee will come to order.

This is the time scheduled to review the fiscal year 1983 budget requests for the Administration of Territories and the Trust Territory of the Pacific Islands. For 1983, $58,076,000 has been requested for the Administration of Territories, a reduction of nearly $29 million from the fiscal year 1982 level. Similarly, the 1983 request for the trust territory is $75,500,000, a decrease of $657,000.

We will begin this morning with each of the territory governments in the following order: the Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. We will then proceed this afternoon with the Office of Territorial and International Affairs, represented by Assistant Secretary Pedro A. Sanjuan.

As we proceed through each of the territory governments I would ask that the principal witness introduce his colleagues sitting with him at the table and then proceed to briefly highlight his statement. The full statement will of course appear in full in the official record.

This morning, to lead off for the Virgin Islands is the Honorable Juan Luis, Governor of the Virgin Islands; and the Honorable Ron DeLugo, U.S. Delegate.

Good morning. I apologize this morning, but as you know, we have matters on the floor of the Senate and a very, very tight schedule and we're going to have to go just about as fast as we can. Please be as brief as possible. I do appreciate that you have come some distance to make your presentations and I do not mean to be unduly rushing you.

Mr. DELUGO. Thank you very much, Mr. Chairman. I am very aware of the demanding schedule that you're operating under and I would simply ask that my prepared statement be made a part of the record and I will summarize very quickly.

I say this, that in my prepared statement I have listed the priorities as we see them and our main priority is just surviving in the face of the cuts—not only the tax cuts but the Federal program cuts and the downturn in the economy. For the record, the impact of the Federal program cuts in this year is estimated to be in excess of $20 million just in the Federal program cuts, and the impact of the tax cut on the territory is estimated now to be in fiscal year 1982 that we're going to lose in excess of $10 million, $10.4 million, and in 1983, some $25 million will be lost.

Mr. Chairman, I have made a very strong plea, I believe, in my prepared statement for help in the areas of water and power and with the juvenile detention center. I will not reiterate that at this time in the interest of time, but I will say that we would not be before you today asking for this assistance if the wishes of this committee and the Congress had been carried out.

The Committee on Energy and Natural Resources concluded in 1980 that the provisions enacted both to provide the local territories with sufficient revenues to meet necessary government expenditures while avoiding the need for annual appropriations had ceased to work. The result is a situation of mounting deficits and deteriorating public services.

The committee's conclusion was stated in its report on an administration-sponsored proposal to assist the territories of Guam and the Virgin Islands in eliminating accumulated operating deficits and improve budget management. That program, section 607 of Public Law 96–597, would have provided the Virgin Islands with $30 million in assistance from fiscal year 1982 to fiscal year 1985. That was the estimated need before the administration's program and tax cuts that I've just cited.

If that assistance had been provided, as Congress intended, we would not be before you today requesting special assistance. We would be here only requesting a correction of the problems created by the administration's economic program. Other than that, we would have had the resources necessary to construct facilities to assure power and water facilities to build our infrastructure for all of our people and also we would have had the ability to detain youths suspected of committing major crimes in our community.

Sadly, the administration has ignored the Guam and Virgin Islands budget assistance program. It has used the Secretary of Interior's responsibility to approve the territorial balanced budgetary plan to, quite frankly, block the implementation of the law. It has also ignored Appropriations Committee advice to devise a way of rectifying the adverse effects on the territories of the administration's economic program.

Until the budget assistance program is implemented or the tax reimbursement program which was voted by the Senate this week is put in place, we would be forced to seek the type of assistance that we request today. This should be particularly embarrassing to the United States in view of the Caribbean Basin Initiative. As you know, Mr. Chairman, the proposal would provide our Caribbean neighbors with investment incentives which would lessen the competitive edge of the U.S. islands in the region. The plan would also provide substantial aid to help with the kind of needs for which the Virgin Islands seeks funding today.

I heartily endorse the positive objectives of the Caribbean Basin Initiative, but it seems to me that we should make as great a commitment to meeting the fundamental needs of the American citizens of the Caribbean as we make to our neighbors.

Of course, I realize, Mr. Chairman, that I'm preaching to the choir in this respect. I thank you for your continuing support and at this moment I'd like to introduce our distinguished governor, Gov. Juan Luis, Governor of the Virgin Islands, who will elaborate on the territory's needs.

PREPARED STATEMENT

Senator McClure. We will place your statement in the record at this point.

[The statement follows:]

STATEMENT OF RON DELUGO

SINCE LAST YEAR THE SITUATION ON THE MAINLAND HAS DETERIORATED, AND THIS HAS ROCKED THE VERY FOUNDATION OF THE U.S. VIRGIN ISLANDS COMMUNITY. I WANT TO STRESS, MR. CHAIRMAN, THAT WE ARE AN INSULAR ECONOMY. UNLIKE MAINLAND COMMUNITIES, WE DO NOT HAVE BUILT IN SAFETY VALVES WHICH ALLOW OUR LIMITED INDUSTRY TO SHIFT TO MORE LUCRATIVE FIELDS OR ALLOW OUR POPULATION TO RETOOL THEIR SKILLS TO BE ABSORBED BY CHANGING ECONOMIC DEVELOPMENT. THUS, WE LACK THE STRENGTH TO RIDE THESE DIFFICULT TIMES WITHOUT DIRECT FEDERAL ASSISTANCE.

I RECOGNIZE THAT, DESPITE THE MANY PROBLEMS WE MUST ADDRESS IN THE TERRITORY, THIS IS A TIME FOR CAREFUL PRIORITIZING. AND I HAVE DONE JUST THAT. THE PROJECTS FOR WHICH WE NEED YOUR URGENT ASSISTANCE ARE THOSE I AM CURRENTLY PURSUING IN THE FORM OF A HOUSE AMENDMENT TO H.R. 5139: $10 MILLION DOLLARS A YEAR FOR FOUR YEARS FOR WATER AND POWER, AND $3 MILLION DOLLARS FOR A JUVENILE DETENTION CENTER ON ST. THOMAS AND ST. CROIX.

AS YOU WELL KNOW, THE SUPPLY OF WATER AND POWER TO THE PEOPLE OF THE VIRGIN ISLANDS HAS BEEN AN ONGOING BATTLE, WITH THE DEMANDS ON LOCAL FACILITIES CLEARLY OVERPOWERING THEIR CAPABILITIES. THE POPULATION IN THE TERRITORY DOUBLED FROM 1960 TO 1970, AND DOUBLED AGAIN BETWEEN 1970 AND 1980. THIS RAPID GROWTH, WHILE PRODUCING THE HIGHEST STANDARDS OF LIVING IN THE CARIBBEAN, ALSO HAD THE EFFECT OF CREATING HAVOC WITH THE INFRASTRUCTURE RESPONSIBILITIES OF THE LOCAL GOVERNMENT.

AS A RESULT OF OUR SUCCESSFUL EXPERIENCE WITH DESALINATION PLANTS, WE ARE JUST EMERGING FROM YEARS OF RELYING UPON THE EXHORBITANT AND WASTEFUL PROCESS OF BARGING WATER FROM PUERTRO RICO. WATER SUPPLY, HOWEVER, IS STILL BELOW DEMAND. THE WATER DISTRIBUTION SYSTEM, MEANWHILE, HAS ERODED THROUGH THE YEARS. EROSION COUPLED WITH INCREASED PRESSURE ON THE SMALL PIPES DUE TO RISING DEMAND HAS LEAD TO BREAKAGES, RESULTING IN A 30% WATER LOSS.

ELECTRIC OUTAGES ARE FREQUENT, WITH DAMAGING CONSEQUENCES THROUGHOUT THE TERRITORY: NORMAL ACTIVITIES ARE PERIODICALLY DISRUPTED; BUSINESSES ARE FORCED TO SHUT-DOWN; CONSUMER GOODS ARE RUINED; AND BUSINESS AND

PUBLIC INSTITUTIONS MUST BE POWER SELF-SUFFICIENT OR HAVE STAND-BY CAPABILITIES IF THEY ARE TO OPERATE WITHOUT INTERRUPTION. THE INADEQUACIES OF THE SYSTEM HAVE SERIOUSLY HAMPERED THE QUALITY OF LIFE AND FORESTALLED FURTHER ECONOMIC DEVELOPMENT.

THE PROBLEMS FACED BY THE VIRGIN ISLANDS WATER AND POWER FACILITIES HAVE BEEN CAREFULLY STUDIED SO AS TO PROVIDE A REASONED SOLUTION TO OUR PROBLEM. THE SHORT TERM SOLUTION, FOR WHICH WE SEEK FUNDING, IS SET OUT IN THE ADDENDUM TO MY STATEMENT. THE SAVINGS TO THE VIRGIN ISLANDS GOVERNMENT THROUGH THE RESULTING EFFICIENCY IN THE SYSTEM WOULD PROVIDE MUCH OF THE REVENUES NEEDED TO PROCEED WITH THE LONG TERM PLANS TO BRING THE FACILITIES UP TO RELIABLE OPERATING CAPACITY.

THE SECOND PRIORITY I HAVE ISOLATED IS THE NEED FOR JUVENILE DETENTION CENTERS, ONE FOR ST. THOMAS / ST. JOHN AND ONE FOR ST. CROIX. SERIOUS CRIMINAL ACITIVITY IN THE VIRGIN ISLANDS HAS INCREASED AT AN ALARMING RATE TO AMONG THE HIGHEST NATIONWIDE. THERE HAVE BEEN MANY NEGATIVE CONSEQUENCES. MOST IMPORTANTLY, RESIDENTS HAVE SUFFERED AS VICTIMS OR FROM FEAR OF BECOMING VICTIMS. THE ISLANDS' LARGEST INDUSTRY, TOURISM, HAS SUFFERED SUBSTANTIALLY FROM ADVERSE PUBLICITY.

MUCH OF THE CRIME IS SAID TO BE ATTRIBUTABLE TO YOUNG, REPEAT OFFENDERS. LOCAL LAW ENFORCEMENT HAS BEEN FRUSTRATED BY THE LACK OF FACILITIES IN WHICH TO HOLD YOUNG CRIMINALS PRIOR TO TRIAL WHEN APPREHENDED. THE RESULT HAS BEEN THAT MANY JUVENILE OFFENDERS COMMIT ADDITIONAL CRIMES WHILE PENDING TRIAL.

THE VIRGIN ISLANDS HAS BEEN IN A STATE OF PANIC DUE TO THE INCREASE IN CRIME. THESE FACILITIES WILL GO A LONG WAY TO CURBING A SITUATION WHICH HAS COMPOUNDED CRIMINAL ACTIVITY IN THE ISLANDS.

MR. CHAIRMAN, THE UNDERLYING REASON FOR THE REQUESTS WHICH I HAVE PRESENTED IS THE CONTINUING PERCARIOUS FISCAL POSITION OF THE GOVERNMENT OF THE VIRGIN ISLANDS. AS YOUR COMMITTEE RECOGNIZED IN ITS REPORT ON THE FISCAL YEAR 1982 APPROPRIATIONS BILL, THIS POSITION WAS FURTHER WEAKENED BY THE ADMINISTRATION'S PROGRAM AND TAX CUTS. THEY

HAD A MUCH GREATER IMPACT ON THE TERRITORIES THAN ON GOVERNMENTAL ENTITIES WITHIN THE UNITED STATES.

THE FISCAL POSITION THEY LESSENED INCLUDED A SUBSTANTIAL ACCUMULATED DEFICIT AND ANNUAL REVENUE SHORTFALLS. THE DEFICIT HAS UNDERCUT OUR ABILITY TO ADEQUATELY PROVIDE ESSENTIAL PUBLIC SERVICES SUCH AS RELIABLE POWER AND WATER AND EFFECTIVE CRIME CONTROL.

THE COMMITTEE ON ENERGY AND NATURAL RESOURCES CONCLUDED IN 1980 THAT THE PROVISIONS ENACTED "TO PROVIDE THE LOCAL TERRITORIES WITH SUFFICIENT REVENUES TO MEET NECESSARY GOVERNMENT EXPENDITURES WHILE AVOIDING THE NEED FOR ANNUAL APPROPRIATIONS....HAD CEASED TO WORK." THE RESULT IS A SITUATION OF MOUNTING DEFICITS AND DETERIORATING OF PUBLIC SERVICES.

THE COMMITTEE'S CONCLUSION WAS STATED IN ITS REPORT ON AN ADMINISTRATION-SPONSORED PROPOSAL TO ASSIST THE TERRITORIES OF GUAM AND THE VIRGIN ISLANDS IN ELIMINATING ACCUMULATED AND OPERATING DEFICITS AND IMPROVE BUDGET MANAGEMENT. THAT PROGRAM, SECTION 607 OF PUBLIC LAW 96-597, WOULD HAVE PROVIDED THE VIRGIN ISLANDS WITH $30 MILLION IN ASSISTANCE FROM FISCAL YEARS 1982 TO 1985. THIS WAS THE ESTIMATED NEED PRIOR TO ENACTMENT OF THE ADMINISTRATION'S PROGRAM AND TAX CUTS.

IF THAT ASSISTANCE HAD BEEN PROVIDED, AS CONGRESS INTENDED, WE WOULD NOT HAVE HAD TO COME BEFORE YOU TODAY REQUESTING SPECIAL ASSISTANCE, ONLY A CORRECTION OF THE PROBLEMS CREATED BY THE ADMINISTRATIONS ECONOMIC PROGRAM. OTHER THAN THAT WE WOULD HAVE HAD THE RESOURCES NECESSARY TO CONSTRUCT FACILITIES TO ASSURE POWER AND WATER SERVICES FOR ALL OF OUR PEOPLE AND DETAIN YOUTHS SUSPECTED OF COMMITTING MAJOR CRIMES.

SADLY, THE ADMINISTRATION HAS IGNORED THE GUAM/VIRGIN ISLANDS BUDGET ASSISTANCE PROGRAM. IT HAS USED THE SECRETARY OF THE INTERIOR'S RESPONSIBILITY TO APPROVE THE TERRITORIAL BALANCED BUDGETARY PLANS TO BLOCK IMPLEMENTATION OF THE LAW. IT HAS ALSO IGNORED APPROPRIATIONS COMMITTEE ADVICE TO DEVISE A WAY OF RECTIFYING THE ADVERSE EFFECTS ON THE TERRITORIES OF THE ADMINISTRATION'S ECONOMIC PROGRAM.

As Chairman of the Congressional Territorial Caucus, I know that Guamanians join Virgin Islanders in appreciating your leadership, Mr. Chairman, as well as that of Senator Johnston in obtaining your Committee's amendment of H.R. 5139 to remove Interior's power to prevent implementation of the budget assistance program.

But until the budget assistance program is implemented and the territories are at least treated no more harshly in budget and tax cuts than are the States, we will be forced to seek the type of assistance we request today.

This should be particularly embarrassing to the United States in view of the Caribbean Basin Initiative. As you know, that proposal would provide our Caribbean neighbors with investment incentives which would lessen the competitive edge of the U.S. islands in the region. The plan would also provide substantial aid to help with the kind of needs for which the Virgin Islands seeks funding today.

I heartily endorse the positive objectives of the Caribbean Basin Initiative. But it seems to me that we should make as great a commitment to meeting the fundamental needs of the American Citizens of the Caribbean as we make to our neighbors.

Since I know that I am preaching to the choir in this respect, I will conclude at this point by introducing our distinguished Governor, Juan Luis, who will elaborate on the territory's needs.

Addendum

REPAIRS AND IMPROVEMENTS TO THE VIRGIN ISLANDS POTABLE WATER DISTRIBUTION SYSTEMS

FY '83	
St. T.	$1.5 million for replacing water lines in Charlotte Amalie
St. C.	$1.5 for new water storage tank at Estate Richmond
FY '84	
St. T.	$2 million in water line replacement in Charlotte Amalie
St. C.	$500,000 for repairs to water storage tanks
St. J	$500,000 for expansion of water pipelines in Cruz Bay

FY '85	
St. T.	$2 million in water line replacement in Charlotte Amalie
St. C.	$500,000 for development of raw water collection system (raw water collection is running piplines to well fields)
	$500,000 for replacement of water lines in Frederiksted and Christiansted
FY '86	
St. T.	$2 million for replacement of water lines in Charlotte Amalie and construction of water storage tanks in upper Estate Thomas
St. C.	$500,000 for development of raw water collection system
	$500,000 for repairing and replacing pumping stations

Justification

The three populated islands of St. Croix, St. Thomas and St. John comprise the U.S. Virgin Islands. The islands are separated by forty miles of open sea between St. Thomas/St. John and St. Croix and four miles of sea between St. Thomas and St. John. As a result of this physical separation, the basic island infrastructures have developed independently in keeping with their respective physical attributes.

Basic to any understanding of the Virgin Islands is the unprecedented growth that has taken place during the past twenty years. The population in the territory doubled from 1960-1970 and doubled again between 1970-1980.

This rapid growth, while producing the highest standard of living in the Caribbean basin, also had the effect of creating havoc with the infrastructure responsibilities of the local government. This havoc was most clearly manifested in the water supply and distribution systems on all three islands.

Prior to the 1960's, the territory's water supply was a combination of public catchment/cisterns, home cisterns and well water. To distribute this water, the islands' first modern water distribution system was installed in the early 1950's. This aging system of some thirty plus years, supplemented by periodic additions and improvements, comprises the V.I. water distribution system of today.

During the 1960's and 1970's, the Virgin Islands Government in an attempt to keep pace with the water needs of an expanding population and limited by the natural occurence of fresh water in the territory, committed to the mechanical production of fresh water by desalination. The cost of providing desalinated water however, is considerably higher than water costs in mainland juridictions.

With the price of water at a premium and the need for water so critical to the health and well being of the V.I. community, the accountability of water in the distribution system becomes an important issue. From the early 1970's onward, there was much speculation on the amount of water that was lost due to deficiencies in the pipeline system. Finally, in 1978 the local government in cooperation with numerous federal agencies met for the first time to discuss strategies for improving the supply and distribution of potable water. This meeting which formed the basis for the Federal Regional Council was an offshoot of the White House Rural Affairs Initiatives undertaken by the Carter Administration. By late 1980, three agencies, HUD, FmHA and EDA had committed four million dollars to assist the territory with water distribution problems. Of this amount, $500,000 from HUD was provided for planning and $3 million from FmHA and EDA for implementation.

In early 1981 using the HUD monies, the Department of Public Works solicited proposals and selected the engineering firm of CH2M Hill to undertake a comprehensive engineering evaluation and Master Plan of the St. Thomas/St. Croix systems. This work is presently underway and will be completed by October, 1982.

Preliminary findings substantiated by sonic testing the main water lines indicate that the lines installed in the 1950's, primarily in Charlotte Amalie, Christiansted and Frederiksted, must be replaced. On St. Thomas over 30% of the water entering the system is lost to leakage while on St. Croix approximately 20% disappears into subsurface soils.

Clearly, action must be taken immediately. The four year spending plan breaks down by island the dollar levels required to effect positive improvements to the storage/distribution system were identified by the consulting engineers in conjunction with Public Works officials representing all three islands.

IMPROVEMENTS TO WATER AND POWER AUTHORITY

FY 1983

CAPITAL EXPENDITURES

Island	Equipment	Est. Cost
St. John	2.5 MW Diesel Generator	$1,000,000
St. John	Underwater Distribution Cable	1,500,000
St. Thomas	34.5 KV Substation	500,000
		$3,000,000

BASE LINE EQUIPMENT OVERHAUL (MAJOR)

St. Thomas	Steam Turbine (35 MW)	$1,700,000
St. Thomas	Steam Turbine (18 MW)	800,000
St. Croix	Gas Turbine (15 MW)	1,500,000
	Subtotal	$4,000,000
	Total	$7,000,000

JUSTIFICATION

The capital expenditures above are necessary and justifiable for the following:

The Island of St. John located about four miles to the east of St. Thomas is provided electrical service via an underwater cable with a standby diesel generator in the event of power interruption on the St. Thomas end.

The existing cable, installed some twenty seven years ago, suffers from recurring damage due to age and results in excessive repair costs; it needs to be replaced. The generator, first installed in 1967 and last overhauled in 1974, is rated at 2MW but delivers 1.5 MW. It needs overhaul or replacement. Even if overhauled at a cost of over one quarter million dollars, its capacity is insufficient to carry load for the entire island in the event of a cable failure. Moreover, with the completion of the new health care facility on St. John and projected additional resort and housing development, a new and larger capacity standby system is essential.

In early 1981, the Authority began a rehabilitation program of its baseline electric generating equipment to bring the system to acceptable levels of reliability and efficiency. The expenditures, based on consultants' recommendations in October, 1980, were projected at $14,000,000 over a three to five-year period. To date slightly over $7,000,000 has been expended from funds made available by the V.I. Government and the Authority's revenues. However, that program is threatened non-availability of funds from both of these sources, and the increased reliability and efficiency achieved to date could rapidly diminish if additional funding from other sources are not forthcoming. The expenditures anticipated in this year will result in a reduction of production costs of about two million dollars annually. More importantly, the attendant lowered rate to the consumer via a fuel adjustment clause, and a more reliable and efficient system will encourage investment towards achieving a more diversified economy.

FY 1984

CAPITAL EXPENDITURES

Island		
St. John	Seawater Reverse Osmosis Plt. (100 GPD)	$1,000,000
St. Thomas and St. Croix	Conversion of Gas Turbines to burn lower cost fuel	1,760,000
St. Thomas, St. John and St. Croix	Equipment for Distribution System	662,000
St. Thomas, St. John and St. Croix	Improvements to Electric Distribution System	1,720,000
St. Croix	DE Super heater	345,000
	Subtotal	$5,487,000

MAJOR REPAIRS

	Instrumentation	$ 875,000
St. Thomas	Steam Unit (8.5 MW) - Diesel Unit (3 MW)	638,000
	Subtotal	$1,513,000
	Total	$7,000,000

JUSTIFICATION

On the Island of St. John, the principal sources of public water supply are from a series of wells which feed water to Cruz Bay and supplemented by water barged from St. Thomas. The Department of Conservation and Cultural Affairs, in developing its Comprehensive Water Resources Management Plan has recommended a 100,000 GPD reverse osmosis plant for St. John to eliminate the need for barging and assure an adequate supply of potable water. The expenditure breakdown for capital expenditures includes an amount of $1.0 million to provide for the purchase and installation of the plant.

Monies for improvements to the electrical distribution system are to effect reductions in line loss, convert a major part of the system to 3¢. Included will be reconductoring, capacitors, transformation, relay stations. Most of the present system is as originally installed under REA Standards and is inadequate for present day needs.

Similarly, equipment, primarily rolling stock, digger trucks, etc. have been in service for as many as ten years, was never the type needed, but purchased on available funds. They need to be replaced or in some instances, bought for a first time. The result will be reductions in line loss and a more efficient operation.

Major repairs will consist primarily of modernization of instrumentation controls. Most generating equipment in the system have instrumentation not manufactured as shelf items today so that repairs and / or replacements are costly custom installations.

FY 1985

CAPITAL EXPENDITURES

Island	Equipment	Est. Cost
St. Thomas, St. Croix	Waste Heat Recovery Boiler	$4,444,000
St. Thomas, St. Croix	Improvements to Electric Distribution System	$2,556,000

JUSTIFICATION

Installation of waste heat recovery boilers will increase the efficiency of gas combustion turbines presently in the system, reducing fuel costs, and will provide additional steam for desalination purposes.

FY 1986

CAPITAL EXPENDITURES

Island	Equipment	Est. Cost
St. Thomas	One (1) 1,200,000 GPD Desalination Plant	$7,000,000

JUSTIFICATION

The extension of the water distribution system to the east end of the Island, coupled with the anticipated retirement of the aged BLH plant will require a new water plant by 1987. The potable water needs for the Island have been projected at some 4.5 million gpd and a new plant will be required to meet that demand.

STATEMENT OF JUAN LUIS

Senator McClure. Thank you very much, Mr. DeLugo. Governor.

Governor Luis. Mr. Chairman, thank you for this opportunity to appear before you to address matters of critical importance to the U.S. Virgin Islands.

I'd like to briefly state that my statement is supported by several exhibits which I think are very important. I'll mention these briefly.

This statement is supported by a report to the Committee on the Budget by the House Committee on Interior and Insular Affairs; a capability statement prepared for the Department of the Interior, Virgin Islands Water and Power Authority, for $28 million; capability statement prepared for the Department of the Interior, Department of Public Works, water distribution system, $12 million; a water supply plan for the Virgin Islands dated April 1982, which justifies the $5 million request; a bill from the Virgin Islands Legislature for the Virgin Islands Water and Power Authority, April 22, 1982; a capability statement prepared for the Department of the Interior, juvenile pretrial detention center, $3 million; a statement of need for the juvenile pretrial detention centers, April 1982, which justifies the $3 million; a statement of estimated costs for juvenile pretrial detention facilities attachment 1 expressing Federal approval; amendment to H.R. 5139 passed by the Senate Committee on Energy and Natural Resources; Government of the Virgin Islands deficit elimination plan; a capability statement prepared for the Department of the Interior justifying an appropriation of $5 million for economic development; proposed 4-year economic development program, $5 million appropriation request.

As you know, the President's fiscal year 1983 budget request to fulfill the Interior Department's responsibilities to the territories reflects an 18-percent decrease from the amount appropriated for fiscal year 1982. That budget request fails to initiate any funding whatsoever for the critical needs of the Virgin Islands at a time when the adverse impacts of Federal program cuts and income tax reductions have strained our limited financial resources to the breaking point.

The House Committee on Interior and Insular Affairs has included in its report to the House Committee on the Budget a request that the omnibus territories bill, H.R. 5139, provide $40 million for fiscal years 1983 through 1986 to fund repairs and improvements to the territory's antiquated and deteriorating water and power systems. Of this aggregate amount, the sum of $7 million is sought for the 1983 fiscal year for capital expenditures and equipment overhauls to the electrical system of the Virgin Islands Water and Power Authority. The further sum of $3 million is sought in fiscal year 1983 for use by our Department of Public Works to imrpove water storage and distribution systems in the territory.

Painstakingly compiled documentation of these requests outlines 4-year proposed expenditure plans of $28 million by the Water and Power Authority and $12 million by the Public Works Department, respectively, for these undertakings.

INFRASTRUCTURE IMPROVEMENTS

My administration has made an all-out commitment to these infrastructural improvements. Some $30.8 million has been contributed from the local treasury to the Water and Power Authority over the past 4 years to provide our residents with reliable and reasonably priced water and power, and to attract the new industries which are so absolutely essential to a more balanced Virgin Islands economy. I have also, 3 weeks ago, recommended local legislation to free up approximately $2 million per year for the next several years to provide essential operating capital to the debt-ridden authority. The Virgin Islands Government has now shouldered as much of this burden as it can. Federal help is sorely needed.

DETENTION CENTERS

The House Interior and Insular Affairs Committee has also sought amendment of the omnibus territories bill to include $3 million for fiscal year 1983 for the planning and construction of two juvenile pretrial detention centers, one for St. Thomas and one for St. Croix. These centers, designed to meet stringent Federal standards, would play a key role in halting the "revolving door" through which youthful offenders in the Virgin Islands now pass back into the community to commit further crimes. This now occurs because there is simply no place in the Virgin Islands where children may be detained without violating Federal law pending case disposition. Since youth crime accounted for more than 50 percent of major crime apprehensions in 1981, Federal assistance in the construction of these pretrial centers would permit us to strike a telling blow in the fight against this spreading cancer in our community, while at the same time providing an atmosphere designed to address in a positive way the needs of the youthful offender. I ask this committee to appropriate these needed funds for the 1983 fiscal year.

The Senate's Energy and Natural Resources Committee, under your able leadership, Mr. Chairman, recently adopted amendments to the omnibus territories bill that would permit implementation of the Virgin Islands deficit elimination plan contemplated by Public Law 96–597, without requiring prior approval of that plan by the Interior Department. The amendments would also authorize annual appropriations to the Secretary of the Interior to reimburse the territory for revenues lost due to Federal income tax cuts.

These Senate-passed measures are of paramount importance to the economic stability of the Virgin Islands. I seek this committee's support of the appropriations which would be forthcoming under both of these measures upon their hoped for final enactment. The Senate's prompt action in adopting these amendments is particularly welcome in view of the recent and disappointing lack of responsiveness by the Interior Department to the needs of the Virgin Islands, notwithstanding the statutory mission to assist the territories.

Senator McCLURE. Governor, I'm afraid I'm going to have to interrupt you. We're going to run out of time. I have your entire statement and it will be placed in the record in full. I apologize for the constrained time limit we have today. I realize the seriousness of your problem. We're going to do the very best we possibly can, but I can't tell you exactly what we will be able to accomplish. That's part of the difficulty that's going on on the floor of the Senate today and we'll start on the budget resolution, I understand, tomorrow. By the end of next week we'll have some idea what the total U.S. budget picture will look like and I guess every one of us would know that it's not going to be very happy. The Governor of my State of Idaho is of the other party, but he just last week had to announce a reduction of pay for State employees of 20 percent for the balance of this fiscal year. So it's grim in a lot of different places and we're going to do the very best we can.

Thank you very much for your testimony this morning.

Governor LUIS. Thank you.

PREPARED STATEMENT

Senator MCCLURE. Thank you. We will put your statement in the record.

[The statement follows:]

STATEMENT OF HON. JUAN LUIS

Mr. Chairman, distinguished members of this Subcommittee, thank you for this opportunity to appear before you to address matters of critical fiscal concern to the United States Virgin Islands.

As you know, the President's fiscal year 1983 budget request to fulfill the Interior Department's responsibilities to the territories reflects an 18 percent decrease from the amount appropriated for fiscal year 1982. That budget request fails to initiate any funding whatsoever for the critical needs of the Virgin Islands at a time when the adverse impacts of federal program cuts and income tax reductions have strained our limited financial resources to the breaking point.

The House Committee on Interior and Insular Affairs has included in its Report to the House Committee on the Budget[1] a request that the Omnibus Territories Bill (H.R. 5139) provide 40 million dollars for fiscal years 1983 through 1986 to fund repairs and improvements to the Territory's antiquated and deteriorating water and power systems. Of this aggregate amount, the sum of 7 million dollars is sought for the 1983 fiscal year for capital expenditures and equipment overhauls to the electrical system of the Virgin Islands Water and Power Authority. The further sum of 3 million dollars is sought in fiscal year 1983 for use by our Department of Public Works to improve territorial water storage and distribution systems.

Painstakingly compiled documentation of these requests[2] outlines four year proposed expenditure plans of 28 million dollars by the Water and Power Authority and 12 million dollars by the Public Works Department, respectively, for these undertakings.

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[1] See EXHIBIT A

[2] See EXHIBITS B, C, and D

My administration has made an all-out committment to these infrastructural improvements. Some 30.8 million dollars has been contributed from the local treasury to the Water and Power Authority over the past four years to provide our residents with reliable and reasonably priced water and power, and to attract the new industries which are so absolutely essential to a more balanced Virgin Islands economy. I have also, three weeks ago, recommended local legislation[3] to free up approximately 2 million dollars per year for the next several years to provide essential operating capital to the debt-ridden Authority. The Virgin Islands Government has now shouldered as much of this burden as it can; federal help is sorely needed.

The House Interior and Insular Affairs Committee has also sought amendment of the Omnibus Territories Bill to include 3 million dollars for fiscal year 1983 for the planning and construction of two juvenile pretrial detention centers, one for St. Thomas and one for St. Croix.[4] These centers, designed to meet stringent federal standards, would play a key role in halting the "revolving door" through which youthful offenders in the Virgin Islands now pass back into the community to commit further crimes. This now occurs because there is simply no place in the Virgin Islands where children may be detained, without violating federal law, pending case disposition. Since youth crime accounted for more than 50 percent of major crime apprehensions in 1981, federal assistance in the construction of these pretrial centers would permit us to strike a telling blow in the fight against this spreading cancer in our community, while at the same time providing an atmosphere designed to address in a positive way the needs of the youthful offender. I ask this Committee to appropriate these needed funds for the 1983 fiscal year.

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[3] See EXHIBIT E

[4] See EXHIBITS F, G and H

The Senate's Energy and Natural Resources Committee, under your able leadership, Mr. Chairman, recently adopted amendments to the Omnibus Territories Bill[5] that would permit implementation of the Virgin Islands deficit elimination plan[6] contemplated by Public Law 96-597, without requiring prior approval of that plan by the Interior Department. The amendments would also authorize annual appropriations to the Secretary of the Interior to reimburse the Territory for revenues lost due to federal tax cuts. I seek this Committee's support of both of these measures, particularly in view of the recent and disappointing lack of responsiveness by the Interior Department to the needs of the Virgin Islands, notwithstanding its statutory mission to assist the territories.

The projected deficit for fiscal year 1982 is now estimated at 8 million dollars, not including local federal program cuts. The amount of income tax revenue to be lost to the Virgin Islands by reason of the 1982 federal tax cuts is projected at 14.1 million dollars. Precisely how the dollar loss suffered by the Virgin Islands because of these federal actions is to be measured for federal assistance purposes is unclear, due in part to the fact that 12 million dollars in deficit elimination funds are authorized for fiscal year 1982, while tax reimbursement is recommended to commence in fiscal year 1983. We do not, of course, seek double reimbursement when a tax loss is responsible for a budget deficit. We do, however, seek a fair and equitable reimbursement of funds lost to the Territory as a direct result of federal actions, particularly since local resources simply do not exist to fill the void which is created and since the projected Virgin Islands deficit for fiscal year 1983 is 40 million dollars. In short, we seek the maximum benefits affordable under both the deficit elimination and tax reimbursement plans, consistent with equity, and urge such further reconciliation of the two plans as will bring about this result.

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[5] See EXHIBIT I

[6] See EXHIBIT J

Public Law 95-348, Section 4(a), authorized the appropriation of 5 million dollars for economic development in the Virgin Islands. The Virgin Islands Department of Commerce has developed a plan for the expenditure of those funds, if appropriated.[7] That plan calls for the appropriation of 4 million dollars for fiscal year 1983; 1 million dollars for use by the local Small Business Development Agency to reactivate its business loan guarantee program, 2 million dollars for establishment of a Government Development Bank to promote local industry, and 1 million dollars to construct factory buildings for an industrial park on St. Croix. The Virgin Islands desperately needs diversification of its economy to reduce current dependence upon its few revenue and job producing industries. I seek this Committee's assistance in the appropriation of the 4 million dollars in authorized funds in fiscal year 1983 to achieve that end.

The appropriate committees of both the House and the Senate have authorized an appropriation of 150 thousand dollars in the Omnibus Territories Bill for the establishment of an institution for Caribbean educational, cultural and technical interchange at the College of the Virgin Islands. In view of the current emphasis on the Caribbean Basin initiatives, I would particularly urge this Committee's support for this relatively inexpensive and extremely significant initiative. The College of the Virgin Islands is uniquely situated and suitably disposed to vigorously promote such an institution.

I feel that it is necessary at this point in my testimony to explain why my administration is not seeking new revenue sources for the local funding of the items included in this request for federal assistance. The reason is that the people of the Virgin Islands simply cannot afford the burden of increased taxes given their current cost of living. A very recent and widely publicized survey participated in by the St. Thomas - St. John Chamber of Commerce named the Island of St. Thomas as the third most expensive place to live under the American Flag. This fact may be shocking to others, but not to those of us who live in the Virgin Islands. High living costs are not counterbalanced by high wages. Federal employees stationed in the Virgin Islands, for example, are paid substantially more for their efforts than local government employees doing the same work. The federal cost of living allowance, recently elevated to 12 percent of regular salary, makes the wage disparity even greater. I therefore seek this Committee's support for the appropriations requested in this statement, which are so desperately needed by the Territory.

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[7] See EXHIBITS K and L

Thank you very much.

LIST OF EXHIBITS

EXHIBIT A:	Report to Committee on the Budget by House Committee on Interior and Insular Affairs
EXHIBIT B:	Capability Statement prepared for Department of the Interior - V.I. Water and Power Authority - Electrical System - $28,000,000
EXHIBIT C:	Capability Statement prepared for Department of the Interior - Department of Public Works - Water Distribution System - $12,000,000
EXHIBIT D:	A Water Supply Plan for the Virgin Islands - April 1982 - Justifies $12,000,000 request
EXHIBIT E:	Bill transmitted to Virgin Islands Legislature to assist Virgin Islands Water and Power Authority - April 22, 1982
EXHIBIT F:	Capability Statement prepared for Department of Interior - Juvenile Pretrial Detention Centers - $3,000,000
EXHIBIT G:	Statement of Need - Juvenile Pretrial Detention Centers - April 1982 - Justifies $3,000,000 request
EXHIBIT H:	Statement of Estimated Costs for Juvenile Pretrial Detention Facilities - attached memorandum expressing federal approvals
EXHIBIT I:	Amendment to H.R. 5139 passed by Senate Committee on Energy and Natural Resources

EXHIBIT J: Government of the Virgin Islands - Deficit Elimination Plan - May 1983

EXHIBIT K: Capability Statement prepared for Department of the Interior justifying appropriation of $5,000,000 for economic development

EXHIBIT L: Proposed Four Year Economic Development Program - $5,000,000 appropriation request

ADDENDUM TO STATEMENT

Senator McClure. Mr. DeLugo added an addendum which has been submitted to the committee. That will be placed in the record.

Thank you very much for appearing before us this morning.

[The information follows:]

June 3, 1982

Honorable James A. McClure
Chairman, Subcommittee on the Interior
and Related Agencies
Committee on Appropriations
1208 Dirksen Office Building
Washington, D.C. 20510

Dear Senator McClure:

I am responding to questions raised on the overall financial status of the Territory during the last committee meeting. Following are summary responses with further amplification by enclosures (1,2,3,4, and 5) where necessary.

The Effect of Tax and Grant Reductions

For Fiscal Year 1983 Tax Reductions alone will amount to lost revenues of approximately $25,000,000. Lack of specification by Federal Grantor Agencies, and the "New Federalism" with its attendant "turn back" and "block granting" of previous categorical grants have, with few exceptions, nullified all efforts to estimate the dollar impact of Federal Grant Reductions.

Transfer of Nutrition Assistance to the Territory (Enclosure I)

Maintaining services at existing levels will require, at minimum, local government contributions of $7.8 million above existing territorial funding.

In addition to the minimum $7.8 million handicap of Food Stamp, WIC and Elderly Nutrition, our school lunch program will be forced to compete among these programs for reduced available funding under the proposed block grant. Federal Fund expenditures for School Lunch during Fiscal Year 1981 were $3.9 million. A minimum 25% reduction in this area will translate into an additional burden on our General Fund of $975,000.

Clearly our resources, impinged as they are by Federal Tax reductions, will not allow us to assume increased responsibilities for these programs.

Areas of Required Technical Assistance (Enclosure 2)

The Territory has identified and requested technical assistance in the following areas:

1. Financial Systems Review
2. Information Systems Review
3. Procurement Systems Review

The above areas of concern were addressed to the Assistant Secretary for Territorial and International Affairs through a Memorandum of Understanding and cover letter dated April 5, 1982 (see enclosure). To date, no response has been received.

Crime Fighting Assistance (Enclosure 3)

Carefully documented Juvenile Delinquency issues can be found at Enclosure 3 and in a nutshell represent the focus of our concerns, here in the Territory, on the crime situation.

Water and Power Needs (Enclosure 4)

The capability statement found as Enclosure 4 reiterates a long standing assessment and petition on our water and electrical status needs.

Impact of Caribbean Basin Initiative (Enclosure 5)

The anticipated impact of the Caribbean Basin Initiative defies precision in the absence of implementation. However, our major concerns over the direction of the Initiative and the potential implications can be found at Enclosure 5. Also covered, in Enclosure 5, are suggested alternatives to more adequately safeguard the Virgin Islands' position vis-a-vis other Caribbean countries.

I trust that my comments with the attached enclosures have served to shed more light on our very tenuous financial position.

Sincerely,

Juan Luis

Juan Luis
Governor

ENCLOSURE I

TRANSFER OF NUTRITION ASSISTANCE TO THE TERRITORY

FOOD STAMP/ELDERLY ASSISTANCE/WOMEN INFANTS AND CHILDREN

In Fiscal Year 1981, the total amount of Food Stamp coupons issued was $20.7 million; administrative costs were $1.02 million; total program costs were $21.72 million. Of these costs $21.21 million were federally funded, representing the total costs of issued coupons, and 50 percent of administrative costs. Local contribution was $510,000.00.

In Fiscal Year 1982, we project that the total program costs will be $22.68 million, of which $21.5 million will be coupons issued, and $1.18 million for administrative costs, of which $590,000.00 are local funds. In addition $50,000.00 in local funds have been allocated as a local match for a proposed separate computer system project not yet approved for federal participation. Federal contributions will be $21.09 million for the basic program, with an additional $150,000.00 contribution for the system project, if approved.

Under the proposal, and assuming proportionate distribution of the block grant to existing programs, the amount of federal funds available for the Food Stamp Program would be limited to $15.9 million dollars, 75 percent of the Fiscal Year 1981 federal contributions. If the program costs for Fiscal Year 1983 change at the same rate they did for Fiscal Year 1982, we project the total program costs, with the current structure, staff, and eligibility requirements, will be $23.68 million, requiring a local contribution of $7.78 million, which is 81 percent of the total $9.6 million being proposed for the local share of the entire Department of Social Welfare budget for Fiscal Year 1983, or almost 10 times the amount of the local share currently proposed for the Food Stamp Program.

To complicate matters further, the federal costs on which the Food Stamp share of the consolidated block grant would be based does not include the cost of the manufacturing and shipment of the Food Stamp coupons themselves. We cannot estimate this cost, but with the volume and distance involved, it would be significant. This cost must be added to the local share under the proposal.

With the nutrition programs for the elderly, the problem is on a smaller scale. USDA contributions to two such programs operated by the Department - the Congregate and Home Delivered Meals programs - were $94,640.00 in Fiscal Year 1981, matched with corresponding $90,000.00 local contributions, with approximately the same projected for Fiscal Year 1982 and Fiscal Year 1983. These funds are used exclusively for food purchases. Under the proposal and the same assumptions as above, the USDA contribution would be reduced to $70,850.00. To maintain the same volume of food, and assuming stable food costs, the local contribution would have to be increased to $114,000.00.

Funding for Women, Infants and Children (WIC) for Fiscal Year 1981 was $2,023,244.00. Assuming a 75% funding level based on proposed Block

Grant funding, the local government will be faced with a $505,811.00 question mark on covering this difference or retrenching services.

ENCLOSURE 2

April 5, 1982

Mr. Pedro A. Sanjuan
Assistant Secretary
Territorial and International Affairs
U.S. Department of the Interior
Washington, D.C. 20240

Dear Mr. Sanjuan:

Following the Joint Inspector General Task Force Report, Dated February 12, 1982, I am hereby requesting your support in obtaining technical assistance for the Government of the Virgin Islands.

This request is essentially a continuation of the previous Memorandum of Understanding dated April 24, 1979 between the then Comptroller and myself. You will find a copy of the proposed new Memorandum of Understanding enclosed. I have signed this document in anticipation that it will gain your support, and signatures of the appropriate officials in your agency.

Further, I request that all technical assistance reports be forwarded to my Office with copies to the Director of the Budget for the Virgin Islands.

Sincerely,

Juan Luis
Governor

* * * * DRAFT * * * *

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
GOVERNOR OF THE U.S. VIRGIN ISLANDS
AND THE
ASSISTANT SECRETARY
OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF INTERIOR

A. AGREEMENT OF OBJECTIVES

We, the GOVERNOR of the U.S. Virgin Islands and the Assistant Secretary for Territorial and International Affairs, in recognition of the need for more adequate, reliable and timely financial management information attributable to operations and fiscal condition, and the need for increased efficiency and responsiveness in data processing facilities and services for the Territory of the U.S. Virgin Islands, agree to work together cooperatively toward the mutual goal of establishing measurable and justifiable improvements to the central accounting, budgeting, procurement, data processing, and financially-related systems and operations of the Government of the Virgin Islands.

B. PURPOSE

This memorandum is to serve as a renewal and expansion of an improvement program conducted under a previous Memorandum of Understanding on April 24, 1979 between the Governor of the Virgin Islands and the U.S. Government Comptroller. That program served to produce:

1. a national survey of government accounting systems (Phase I),
2. documentation and evaluation of problems and constraints of selected internal GVI financial operations and related systems (Phase II)
3. a reduction in backlogged reconciliations of revenue transactions and cash accounts (Phase 11), and
4. a limited examination of financial information and data processing requirements throughout the GVI (Phase III).

C. TASKS TO BE ACCOMPLISHED

Work will generally result in the completion of an analysis of problems in financial and data processing systems throughout the Government; determination of requirements for improved systems; proposal and decision on the optimum approach toward satisfying requirements; and as appropriate, conversion and implementation of improvements to, or replacement of, the existing systems, or portions thereof.

Phase II - Analysis of Requirements (Continuation)

This will conclude examination of existing problems, their causes and effects.

The GOVERNMENT OF THE VIRGIN ISLANDS and the OFFICE OF TECHNICAL ASSISTANCE agree that they will jointly:

1. Complete the examination and documentation of current system procedures, operations and resources, including central executive functions of budget and grants management, payroll/personnel and position management, data processing, accounting, financial management, and procurement.
2. Identify and evaluate extent of problems, causes and constraints of current systems upon operations throughout the GVI.
3. Evaluate resource information gathered from the national survey of government systems produced in Phase I, supplement as necessary, and formulate feasible approaches to problem resolution.
4. Conduct a Management study of all GVI - ADP resources and equipment usage histories.
5. Develop policies and procedures to improve the effectiveness and efficiency of the Government's procurement system.

Phase III - System Design

This includes a determination of the best approach to satisfy the requirements for improved financial systems, data processing services, and procurement functions.

The GVI agrees to prepare a statement of management objectives, scope and priorities for improved management information systems and procurement functions based upon documented results of joint work under Phase II and upon foreseeable future needs.

The GVI and OFFICE OF TECHNICAL ASSISTANCE agree that they will jointly:

1. specify improved systems requirements and performance criteria,
2. analyze feasible alternative solutions and resource requirements to satisfy needs,
3. prepare statement of impact upon management, user and data processing entities.
4. evaluate economy and compliance of feasible alternative approaches,
5. revise systems specifications, if appropriate,
6. determine and document justification and recommended action,
7. review and consider recommendations in previous audit reports to improve the GVI procurement function,
8. obtain management decision on recommended action.

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DECISION POINT

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Phase IV - Conversion and Implementation

Based on the joint recommendation in 7 and 8., above, the GVI will decide on an appropriate course of action, which may include conversion and implementation. If the GVI decides to proceed with Phase IV, conversion and implementation would include whatever actions are required in order to establish an improved and operational system or systems to meet GVI needs for adequate and reliable management information and cost effective procurement.

D. RELATIONSHIPS AND RESPONSIBILITIES

The GVI agrees to commit whatever manpower and funds are necessary, and to initiate any executive orders or enacting legislation as may be appropriate to accomplish the above tasks or results of work activities.

The Office of Technical Assistance agrees to commit available manpower resources and/or funds, as appropriate, to support the work of accomplishing the above tasks.

In this regard, the foregoing will require, but not be limited to the following roles and responsibilities.

It will be the responsibility of the GVI to:

1. Establish a joint task force or work group, hereinafter referred to as the Task Force, endowed with the responsibility for implementing the tasks outlined above.
2. Appoint a chairman of the Task Force, preferably from the Office of the Governor, to lead, maintain continuity and coordination, and serve as the point of contact for, the activities of the Task Force.
3. Appoint or request, as appropriate, members to serve on the Task Force which, at a minimum should include:
    a. The Commissioner of Finance
    b. The Director of the Budget
    c. The Director of Data Processing
    d. The Director of Personnel
    e. The Director of Planning
    f. The Commissioner of Property & Procurement
    g. A representative of the U.S. Office of Technical Assistance.
4. Monitor activities of the Task Force as necessary to assure compliance with this Memorandum of Understanding.

It will be the responsibility of the Office of Technical Assistance to:

1. Request or assign an individual, as appropriate, to serve as a member of the GVI's Task Force.
2. Monitor technical assistance activities to assure compliance with this Memorandum of Understanding.

It will be the responsibility of the TASK FORCE CHAIRMAN to:

1. Plan, initiate, direct, coordinate and monitor work activities of the Task Force and assigned staff, and to initiate for the Governor any executive orders or enacting legislation necessary to effect implementation of tasks or results of work activities, as appropriate.
2. Arrange for, assign, supervise or delegate as appropriate, employees of the GVI sufficient to perform functions necessary to accomplish the tasks.
3. Act as the Governor's representative to coordinate work activities with GVI officials not represented on the Task Force and with other interested parties, as necessary and appropriate to assure communication, continuity, and effective implementation of tasks.
4. Coordinate with the Office of Technical Assistance, the Manager of Technical Assistance for the Virgin Islands, or other concerned parties, as appropriate, for purposes of funds and/or

manpower and work planning, scheduling, monitoring and performance/progress reporting.

5. Assure that work progress and status are reported to the Governor on a timely basis, specifically when major tasks are completed, decisions are required, work is concluded, and when any insoluble problems arise.
6. Supplement this Memorandum, in writing, with any additional, related requests for technical assistance not already specified in, or with major revisions to, the tasks outlined in C., above.

It will be the responsibility of the MANAGER OF TECHNICAL ASSISTANCE for the Virgin Islands to:

1. Assure that qualified technical assistance manpower resources, as available, are assigned or acquired to adequately support goals of the Governor, of the Task Force and for the effective implementation of tasks under this Memorandum of Understanding.
2. Supervise and delegate, as appropriate, Federal Office of Technical Assistance employees assigned to support the work; serve as project coordinator to contractor, consultant or other outside personnel acquired to support the work, as appropriate.
3. Coordinate with the Task Force Chairman, the Director of Technical Assistance, and other interested parties, as appropriate, for purposes of funds and/or manpower and work planning, scheduling, monitoring and performance/progress reporting.
4. Assure that work activities which impact or interface with other V.I. governmental offices or with other interested parties, and which are performed by technical assistance personnel, are properly communicated and coordinated by the Task Force Chairman, or other authorized representative of the Task Force.
5. Monitor work progress against planned activities to assure efficient and effective accomplishment of assigned tasks, and compliance with this Memorandum of Understanding.
6. Assure that work progress and status are reported on a timely basis to the Director of Technical Assistance, the Governor and/or the Task Force Chairman, as appropriate, specifically when major tasks are completed, decisions are required, work is concluded, and when any insoluble problems arise.
7. Respond in writing to supplemental requests for additional, related technical assistance not already specified in, or for major revisions to, the tasks outlined in C., above.

We the undersigned, fully agree to the content of this Memorandum of Understanding.

Honorable Juan Luis Date
Governor of the Virgin Islands

Honorable Pedro A. SanJuan Date
Assistant Secretary for
Territorial and International
Affairs
U.S. Department of Interior

(We, the undersigned, concur with the contents of this ***DRAFT*** MEMORANDUM OF UNDERSTANDING).

Name Title Date

Name Title Date

Name Title Date

Name Title Date

ENCLOSURE 3

CAPABILITY STATEMENT

Agency/Bureau:	Department of the Interior/ Territorial and International Affairs
Appropriation:	Administration of the Territories for the U.S. Virgin Islands
Activity:	Government of the U.S. Virgin Islands
Proposed Amendment:	$3,000,000 (three million dollars) to construct and equip two Pre-trial Detention/Diversion Centers for juveniles who are alleged to have committed major crimes in the Territory. One center to be located on the Island of St. Croix, and one on the Island of St. Thomas.

Current Program:

At present, the Territory of the U.S. Virgin Islands does not have juvenile pretrial detention facilities. For Fiscal Year 1981, some 709 (seven-hundred and nine) juveniles were apprehended for FBI-Uniform Crime Reporting defined crimes (Part I Crimes) such as homicide, rape, robbery, aggravated assault, burglary, auto theft, and arson. These juveniles could not be held by the Police due to the fact that there are no facilities for such purpose. Of the 709 juvenile apprehensions, some 240 were waived over for trial as adults. The remaining 469 juveniles had to be turned back into the community where many of them committed additional crimes.

This problem situation has been on the increase over the past few years. In Fiscal Year 1979 there were 567 juvenile apprehensions for Part I Crimes. By Fiscal Year 1961 that figure had increased to 709, representing a 25% increase in the number of apprehensions. The 709 figure represents a full 53% of all Part I apprehensions in the Territory for Fiscal Year 1981. Thus, over half of the Territory's criminal perpetrators cannot be effectively apprehended and detained due to lack of facilities.

The net result of this escalating problem is that the social fabric and the economy of the U.S. Virgin Islands is increasingly threatened by progressively more bold and daring juvenile crimes. The courts are left with no alternative but to waive the most serious offenders over to be tried as adults, an unfortunate practice which tends to graduate juveniles into the ranks of adult offenders. With the exception of the District of Columbia, the U.S. Virgin Islands has a higher Part I Crime rate per 100,000 population than any other state or territory. This conclusion is based upon FBI Uniform Crime Reports for 1980 (Crime in the United States - 1980) as compared with UCR statistics for the U.S. Virgin Islands for Fiscal Year 1981. Although the calendar year 1980 figures do not provide an exact comparison basis with Fiscal Year 1981 figures for the U.S. Virgin Islands, the substantive comparison nevertheless gives a realistic picture of Part I Crimes in the U.S. Virgin Islands.

The economy of the U.S. Virgin Islands, based as it is upon tourism, cannot continue to sustain this high juvenile crime rate. While the crime rate itself is of critical concern, its import becomes all the more grave when one considers that some 34.7% of Virgin Islands youths, age 22 and under, were unemployed in 1980 according to the Virgin Islands Division of Labor Statistics. Finally, it is estimated that at least half of Virgin Islands high school students do not complete high school.

The foregoing bleak scenario is not meant to convey the impression that the Government of the Virgin Islands has not addressed this problem in a very concerted manner. Quite to the contrary, a well-planned approach has been followed over the past few years which has been based upon the "least restrictive approach" mandated by the Juvenile Justice and Delinquency Prevention Act of 1974, as amended. Key initiatives at the Territorial level are as follows:

1. 1978: A comprehensive Youth Services Administration was designed and implemented under the Office of the Governor. This is the single state agency for delinquency prevention and other delinquency specific programs.

2. 1978: A Youth Rehabilitation Center was opened by YSA on the Island of St. Croix. It can serve up to 23 adjudicated juvenile delinquents.

3. 1980: A YSA Foster Home Placement Program was put in place. It now provides alternative living environments for selected youths on St. Croix, and on St. Thomas.

4. 1982: A Boys Group Home was opened on St. Thomas. It has a capacity of 8 and is operated by the Salvation Army under contract to YSA.

5. 1982: A Girls Group home will soon open on St. Croix. It will have a capacity of 8 girls. It will be operated by a private service provider under contract to YSA.

6. 1982: Two Youth Shelter Care Facilities, one for St. Thomas and one for St. Croix, will be opened by late fall at a cost of approximately $912,000 in territorial funds matched by some $232,000 in LEAA monies. Each facility will house up to 10 youths in a non-secure setting for up to 30 days while a complete work-up and evaluation for individualized programming is completed.

7. 1982: The Virgin Islands Juvenile Criminal Code has been comprehensively rewritten and updated. It is now before the 14th Legislature of the Virgin Islands. It is a "state of art" code which contains a "Territorial Youth Policy." Its approval and full implementation are anticipated this calendar year.

8. 1982: An Alternative Education Project has been funded for the past two years by the Office of Juvenile Justice and Delinquency Prevention at Elena Christian Junior High School on St. Croix. It has been extremely successful, and has generated replication projects in other schools with funding being provided by the Virgin Islands Department of Education.

9. 1982: A Youth Multi-Service Center has been incorporated on St. Thomas as a new Public/Private Sector approach to pre-employment skills training and alternative education for school drop-outs. It is based upon the highly successful New York

"Door" model. This center should open in June of this year.

10. 1982: A Youth Diversion/Restitution Project will soon be operationalized through funds provided by the Office of Juvenile Justice and Delinquency Prevention. This project, to be operated by YSA, will provide judges with diversionary alternatives whereby youths may be placed in either public or private sector job positions to provide restitution to the victim and/or the community.

These are but a few of the major initiatives now under way. Without appropriate facilities to house juveniles alleged to have committed a major crime, the Territory will continue to be exposed to serious and violent offenders. This will most certainly undermine the effectiveness of "least restrictive" types of approaches since more and more youths will be filling the ranks of serious offenders.

To date, the schematics for each of the two proposed Juvenile Pretrial Detention/Diversion Centers have been completed. Two architects have been chosen. Program formats have been completed. What now remains is for funding to be secured so that construction may begin. The St. Croix site is owned by the Government of the Virgin Islands, while some $161,000 has been budgeted within the $3,000,000 figure for acquisition of the St. Thomas site. No further progress can be made with currently available funding at the territorial level.

Amount Budgeted for Fiscal Year 1983: NONE

Feasibility: With the $3,000,000 increase, the Government of the U.S. Virgin Islands could purchase the needed site for the St. Thomas Pretrial Detention/Diversion Center and construct and equip both the St. Thomas and the St. Croix facilities. This project is of the highest priority.

Capability:

The budgetary explanation for the proposed increase is as follows:

			St. Thomas/St. John	St. Croix
Site	(a)	Purchase	$161,000	--
	(b)	Preparation	36,000	$ 82,000
	(c)	Fencing	--	31,000
Fees	(a)	Architectural	60,000	60,000
	(b)	Inspection/Engineering	18,000	18,000
Construction			938,000	925,000
Equipment (Non-Expendable)				
	(a)	Fixtures	97,000	97,000
	(b)	Furniture	104,000	104,000
Security Systems			45,000	55,000
Contingency (6%)			87,000	82,000
			$1,546,000	$1,454,000

Data

Square Footage (interior)	9,655 (two story)	9,500 (1 story)
Special Features	Screening/Intake Areas	Screening/Intake Areas
	Judge's Hearing Room	Judge's Hearing Room
	Classroom	Classroom
	Interview Room	Interview Room
	Holding Rooms (2)	Holding Rooms (2)
	Sleeping Rooms 11 Boys 3 Girls	Sleeping Rooms 11 Boys 3 Girls
	Recreation Area 2,376 sq. ft. interior	Recreation Area 4,292 sq. ft. exterior
Specifications	Special normative construction materials, windows, doors, etc., for juvenile detention	Special normative construction, etc.

Outlay Effect:

While the actual construction phase may take up to two years to complete, the full amount of funds will be needed during Fiscal Year 1982 to purchase the St. Thomas site, to award construction contracts, to cover architectural/engineering fees and to encumber fixture and equipment documents.

ENCLOSURE 4

CAPABILITY STATEMENT

Agency:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	U.S. Virgin Islands
Proposed Amendment:	$40,000,000 for V.I. Water and Power Authority and the Department of Public Works (This capability statement is for $28,000,000 for V.I. Water and Power Authority)

Current Program:

The Virgin Islands Water and Power Authority was created by the Virgin Islands Legislature in 1964. The authority owns and operates electric power generation and distribution facilities on St. Thomas and St. Croix, which facilities are not physically interconnected. The only other island of notable size, St. John, which lies four miles east of St. Thomas, normally receives electric power transmitted from St. Thomas by underwater cable. A unit, for use during emergencies, is installed on St. John. The Authority is the only producer which distributes and sells electric power in the Virgin Islands, and it serves residential, commercial, industrial and street lighting customers as well as the Government of the Virgin Islands. A limited number of industries generate part of all of their own power requirements. The Authority has approximately 38,000 customers.

The Authority also produces water as part of its Water System through a desalinization or distillation process, which is carried on in conjunction with its steam electric power generation. The Department of Public Works of the Virgin Islands purchases water produced by the Authority.

In past years, a number of engineering reports commissioned by both the Authority and the Virgin Islands Government have focused on certain conditions of disrepair which existed with respect to the Electric System as adversely affecting the reliability of electric service of the Authority. Among those factors to which such engineering reports referred were the lack of a maintenance management program, the need for employee training programs and for a comprehensive preventative maintenance program, and the need for major repair and overhaul work with respect to some of the equipment of the Authority's power production facilities.

The Authority has since the issuance of these reports instituted an extensive repair and preventative maintenance program with respect to its facilities and has sought to follow many of the recommendations set forth in such reports.

Since 1978, the Virgin Islands Government has contributed grants to the Authority for the purpose of acquiring new generating equipment and to undertake major overhaul of existing plants of the Electric System. Additionally, to remedy water shortages and operational difficulties, the Authority has added production capacity to the Water System by constructing new desalinization plants with grant monies from the Virgin Islands Government. Those grants have amounted to $30,853,000.

With those funds the Authority acquired two 20 megawatt combusion (gas) turbines, one each located on the islands of St. Thomas and St. Croix, to provide stationary power while major overhaul work is being accomplished on existing equipment. Total overhaul of an 18 megawatt steam generator on St. Croix has been completed and partial overhaul to allow an 18 megawatt steam generator on St. Thomas to be operable has been accomplished. Overhaul of a 7.5 megawatt steam generator is scheduled for this fiscal year.

Three desalination plants have been constructed, two on St. Thomas, one one St. Croix. Each plant has a rated capacity of 1.25 MGD and is in production. Additionally, one desalination plant on St. Croix was retrofitted to produce 1.0 MGD. All funds have been utilized and the V.I. Government is not in a position to give additional financial assistance.

Amount Budgeted FY '83: NONE

Feasibility: The objectives of the Authority are to have electric power generating and distribution equipment in a reliable and adequate status, optimizing economic utilization of available fuel sources to meet present and future demands. The same holds for the Water System.

The major rehabilitation program of baseline electric generating equipment begun by the Authority is intended to achieve those objectives. However, without additional external funding, the increased reliability and efficiency achieved to date could rapidly diminish.

If the increase is granted, the Authority will be able to complete the major overhaul of its equipment in a timely and scheduled manner. The program contemplates overhaul of five electric power generators which will then have the rated capacity of 78 megawatts. It will also be able to acquire equipment for the electric distribution system and effect repairs to those systems on all three islands.

Moreover, the Authority will be able to make improvements to both the electric and water systems which will result in operational savings from lower fuel costs, less line losses and meet future water demands.

In addition to the above mentioned, the Authority will acquire a new standby diesel generator for the island of St. John, an underwater electric distribution cable to that island, an electric substation on St. Thomas and a desalination plant for St. Thomas.

Additionally, certain modifications and conversions of equipment such as waste heat recovery boilers and fuel system conversions will increase efficiency and result in fuel savings.

The first order of priority is to complete the overhaul of three electric generating units, two on St. Thomas and one on St. Croix, and to acquire and install the standby generator and underwater electric distribution cable to St. John and construct the electric distribution substation on St. Thomas.

The second order of priority is for acquisition of distribution equipment and for improvements to the electric distribution system on all three islands, acquisition of a salt water reverse osmosis plant for St. John and conversion of combustion (gas) turbines to burn lower cost fuels.

The third priority is to make improvements to generating plants so as to further achieve operating efficiencies.

Capability:

CAPITAL EXPENDITURES

2.5 MW Diesel Generator	$ 1,000,000
Underwater Electric Distribution Cable	1,500,000
34.5 KW Distribution Substation	500,000
Saltwater Reverse Osmosis Plant	1,000,000
Combustion (Gas) Turbine Conversions	1,760,000
Distribution System Equipment	662,000
Improvements to Electric Distribution System	4,276,000
Waste Heat Recovery Boilers	4,444,000
Desalination Plant	7,000,000
SUB-TOTAL.	$22,142,000

MAJOR OVERHAUL

Electric Generating Plants	$ 5,858,000
TOTAL	$28,000,000

JUSTIFICATIONS

Fiscal Year 1983

The expenditures above are necessary and justifiable for the following:

The Island of St. John located about four miles to the east of St. Thomas is provided electrical service via an underwater cable with a standby diesel generator in the event of power interruption on the St. Thomas end.

The existing cable, installed some twenty seven years ago, suffers from recurring damage due to age and results in excessive repair costs; it needs to be replaced. The generator, first installed in 1967 and last overhauled in 1974, is rated at 2 MW but delivers at 1.5 MW. It needs overhaul or replacement. Even if overhauled at a cost of over one quarter million dollars, its capacity is insufficient to carry load for the entire island in the event of a cable failure. Moreover, with the completion of the new health facility on St. John and projected additional resort and housing development, a new and larger capacity standby system is essential.

The 34.5 KV substation is being installed as the initial part of a 34.5 KV subtransmission system designed to upgrade the entire distribution system. The substation will result in a reduction in line losses, improve system capacity, enhance load switching capability and improve system conditions such as voltage drop and flutter.

In early 1981, the Authority began a major rehabilitation program of its baseline electric generating equipment to bring the system to acceptable levels of reliability and efficiency. The expenditures, based on consultants' recommendations in October 1980, were projected at $14,000,000 over a three to five-year period. To date slightly over $7,000,000 has been expended from funds made available by the Virgin Islands Government and the Authority's revenues. However, that program is threatened by non-availability of funds from both of these sources, and the increased reliability and efficiency achieved to date could rapidly diminish if additional funding from other sources are not forthcoming. The expenditures anticipated in this year will result in a reduction of production costs of about three million dollars annually. More importantly, the attendant lowered rate to the consumer via a fuel adjustment clause, and a more reliable and efficient system will encourage investment towards achieving a more diversified economy.

BASE LINE EQUIPMENT OVERHAUL (MAJOR)

St. Thomas: Steam Turbine (35 mw)

Unit #13 is the largest and most efficient unit in the system but at the present time the unit is only capable of producing 25 MW due to its deteriorated condition. The preheater baskets require replacing and complete retubing of the boiler is necessary to restore the unit to full load reliable service. The steam turbine requires inspection, adjustment of steam seals and wheel diaphrams and other turbine overhaul.

St. Thomas: Steam Turbine (18 MW)

During the recent overhaul of unit #1 it was found that the second thru fifth stage buckets must be replaced because of severe wear and pitting.

The economizer in the boiler section was found to be eroded to the point that it requires complete replacement.

St. Croix: Gas Turbine (15 MW)

This unit has been out of service because of generator grounds and faults. The generator will require complete factory rewinding and the jet engines require factory rebuild. These repairs will re-establish this unit as a reliable emergency and peak load unit.

Fiscal Year 1984

On the Island of St. John, the principal sources of public water supply are from a series of wells which feed water to Cruz Bay and supplemented by water barged from St. Thomas. The Department of Conservation and Cultural Affairs, in developing its Comprehensive Water Resources Management Plan has recommended a 100,000 GPD reverse osmosis plant for St. John to eliminate the need for barging and assure an adequate supply of potable water. The expenditure breakdown for capital expenditures includes an amount of $1.0 million to provide for the purchase and installation of the plant.

Monies for improvements to the Electrical Distribution System are to effect reduction in line loss and convert major parts of the system to 3 phase. Included will be reconductoring of major distribution feeders, addition of capacitors for power factor correction and extension of 3 phase power to developing areas of the Islands. Much of the present system is over fifteen years old and has had no significant improvement in some 10 years due to the lack of capital funds. The system, however, continues to grow and the high line losses and poor system regulations are indications of the inadequacies of the system. It is anticipated that these funds will result in reducing the excessive line losses of some 14% down to a more realistic 6% by 1985 resulting in significant savings to consumers.

Similarly, equipment, rolling stock, have been in service for as many as ten years and are not in operating condition to meet the high construction demands.

The Authority unlike many stateside utilities must do all line construction. In order to address the heavy construction demands new and better equipment is necessary. The funds will be used to acquire items such as heavy duty diggers, digger derricks, bucket trucks and air compressors.

As an example, a heavy duty digger, needed because of local soil conditions costs approximately $100,000.

The original instrumentation and controls on most of the Authority's generating plants have become obsolete and replacements and/or spare parts are difficult to obtain. When obtainable, it is at exorbitant costs or time delays. The safe and reliable operations of those plants are contingent on dependable, reliable instrumentation and controls.

Fiscal Year 1985

At the present time, the combustion (gas) turbines in the system burn No. 2 fuel oil. Conversion of those units to burn lower cost No. 6 fuel oil will result in lower operating costs to the Authority. Other modifications to the combustion turbines such as adding waste heat recovery boilers effectively making them combined cycle units, will yield additional steam capacity and flexibility for the production of water.

Fiscal Year 1986

By the years 1986-1987, expansion of the potable water distribution system on St. Thomas will result in a demand for between 4.7 to 5 MGD of water. By that time the Authority will have retired a small desalination plant which was initially commissioned in 1968. It is intended to replace that unit, presently producing 0.5 MGD with a plant capable of producing 1.25 MGD.

If the work contemplated with these funds is accomplished, particularly the overhaul and conversions, production costs savings will be approximately $3,000,000 annually.

Outlay Effect:

Fiscal Year 1983

CAPITAL EXPENDITURES

Island		Equipment	Estimated Cost
St. John	-	2.5 Diesel Generator	$1,000,000
St. John	-	Underwater Distribution Cable	1,500,000
St. Thomas	-	34.5 KV Substation	500,000
		Sub-Total	$3,000,000

BASE LINE EQUIPMENT OVERHAUL (MAJOR)

St. Thomas	-	Steam Turbine (35 MW)	$1,700,000
St. Thomas	-	Steam Turbine (18 MW)	800,000
St. Croix	-	Gas Turbine (15 MW)	1,500,000
		Sub-Total	$4,000,000
		TOTAL. . .	$7,000,000

Fiscal Year 1984

CAPITAL EXPENDITURES

Island		Equipment	Estimated Cost
St. John	-	Seawater Reverse Osmosis Plant (100 GPD)	$1,000,000
St. Thomas and St. Croix	-	Conversion of Gas Turbine to burn lower cost fuel	1,760,000
St. Thomas, St. John & St. Croix	-	Equipment for Distribution System	662,000
St. Thomas, St. John & St. Croix	-	Improvements to Electric Distribution System	1,720,000
DE Superheater - St. Croix	-		345,000
		Sub-Total	$5,487,000

MAJOR REPAIRS

		Instrumentation	$ 875,000
St. Thomas	-	Steam Unit (8.5 MW) Diesel Unit (3 MW)	638,000
		Sub-Total	$1,513,000
		TOTAL. . .	$7,000,000

Fiscal Year 1985

CAPITAL EXPENDITURES

Island		Equipment	Estimated Cost
St. Thomas - St. Croix	-	Waste Heat Recovery Boilers	$4,444,000
St. Thomas - St. Croix	-	Improvements to Electric Distribution System	2,556,000
		TOTAL. . .	$7,000,000

Fiscal Year 1986

CAPITAL EXPENDITURES

Island		Equipment	Estimated Cost
St. Thomas	-	One (1) 1,200,000 GPD Desalination Plant	$7,000,000

ENCLOSURE 5

CARIBBEAN BASIN INITIATIVE
PROPOSALS OF THE UNITED STATES
VIRGIN ISLANDS

INTRODUCTION

In a background paper submitted to the Office of the U.S. Trade Representative on November 16, 1981, the U.S. Virgin Islands presented information on how various U.S. trade and economic policies being considered for countries in the Caribbean area might effect the Territory. The paper also included an historical and economic perspective of the special tax and trade concessions which have long been the basis for U.S. policy toward its territories. As expressed in the paper, the Territory's position is based on the concept that:

> ".. the program developed by the federal government should benefit both the U.S. Virgin Islands and the Caribbean nations. We seek to insure that the value of special treatment currently available to U.S. citizens and businesses in the U. S. Virgin Islands is not reduced or eliminated by the granting of similar concessions to foreign nations without a compensatory programs designed to maintain the

growth and development of the U.S. Virgin Islands' economy."

We, the members of Governor Juan Luis' Task Force, composed of representatives of the U.S. Virgin Islands public and private sectors, have continued to analyze and refine the policy suggestions contained in our earlier paper and in doing so have consulted with representatives of the Commonwealth of Puerto Rico and of the U. S. Departments of Interior and State and the office of the U. S. Trade Representative. While we have received verbal assurances that the U. S. Virgin Islands will not be injured by the Caribbean Basin Initiative, we have yet to receive any formal response from the federal government as to how we will be protected or as to whether any or all of our compensatory proposals will be included in the final draft of the Initiative. Furthermore, we are not aware of the extent to which the federal government may have analyzed these compensatory proposals to determine whether they will truly offset the damage to our economy which would result by extending trade and tax concessions, developed for U.S. territories over many years,to foreign nations not operating under U.S. labor, health, safety and environmental laws. We urge that compensatory programs be developed before the Caribbean Basin Initiative is finalized to adequately offset such economic damage to the United States Caribbean possessions.

The proposals primarily emphasize the development and maintenance of the infrastructure needed to support the further economic development of our insular communities and other means by which to stimulate the new investment and new jobs which will make our economy stronger and ultimately less reliant on direct federal aid, as well as, hopefully, more competitive with foreign nations, including those surrounding us in the Caribbean Basin.

We firmly believe that inclusion of our proposals in the Caribbean Basin Initiative and their implementation through a combination of federal and local action will advance the goals of the United State in the region. We stand ready to work on the legislation and implementation stages of the Initiative and to further refine and support our proposals as the process moves forward.

1. Rum Production and Revenues:

The Administration is considering reduction or complete elimination of U.S. tariffs on foreign rum as part of a one-way free trade zone with Caribbean nations. These tariffs provide protection to U.S. Virgin Islands rum producers which serve to offset the higher operating costs associated with manufacturing pursuant to U.S. labor and environmental laws. The U.S. Virgin Islands is unalterably opposed to elimination or further reduction of these tariffs, as such action would result in the eventual destruction of our rum industry, which provides the local government with a major revenue source in the form of excise taxes currently valued at $37.3 million annually, as well as 100 jobs, and the additional government revenues resulting from this economic activity.

If U. S. tariffs on rum were reduced or eliminated ,spirits manufacturers including those already located in the territory would be encouraged to shift their production to foreign nations in the Caribbean where the product could be produced more cheaply. Because most V.I. rum is shipped in bulk and sold under various generic labels at a relatively low price, there would be little or no negative sales impact from shifting rum production from the Virgin Islands to other countries.

Various "safety net" provisions being proposed to protect the Virgin Islands (and Puerto Rico) are grossly inadequate. For example, the current safety net provision (of Public Law 96-39) for return of rum excise taxes is by no means automatic, as is the reduction in import tariffs provided by that law. This safety net is subject to administrative interpretation and Presidential reduction or cancellation. Furthermore, appropriations for this purpose are only authorized through 1985.

2. Gasoline Excise Taxes:

Section 28 (b) of the Revised Organic Act provides for the return to the V.I. Government of excise taxes imposed on products manufactured in the V.I. and shipped to the U.S. Historically, this provision has been applied only to taxes on rum produced in the U.S. Virgin Islands despite the fact that since 1967 large amounts of U.S. revenue have been generated through excise taxes imposed on gasoline produced in the Virgin Islands. A recent decision of the United States Court of Appeals overturned a decision of the U.S. District Court for the District of Columbia, which would have returned retroactively these much needed revenues to the U.S. Virgin Islands. The issue of retroactive payment having been settled, the U.S. Virgin Islands no longer seeks this relief; however, Congressional action to return future gasoline excise tax revenues to the Territory could help to offset the negative impact of some of the concessions which a Caribbean Basin Initiative might provide to foreign nations.

The one-way free trade zone and extension of tax incentives for investment and conventions would severely damage all aspects of the U.S. Virgin Islands' economy. Gasoline excise taxes returned to the Virgin Islands would be used to directly improve our basic public infrastructure including utilities and port facilities. Also, channeling part of these funds into a local development bank would enable us to provide low interest financing to existing and potential businesses for the renovation and expansion of Virgin Islands industries and housing. Improved infrastructure and the availability of low interest financing may help to in part offset the negative impact on the U.S. Virgin Islands of the Caribbean Basin Initiative by making the territory more attractive to potential investors.

Already, through tax agreements with Hess Oil Virgin Islands Corporation and the proposed Virgin Islands Refinery Corporation, the U.S. Virgin Islands government has encouraged this industry to invest in the U.S. Virgin Islands and, specifically, to increase the production of gasoline. The U.S. Virgin Islands should benefit in some way from this contribution to U.S. revenues. We strongly recommend Administration support for Congressional action to provide for the return, prospectively, of gasoline excise tax revenues collected on gasoline produced in the U. S. Virgin Islands.

3. Airport Facilities:

Various nations in the region have upgraded or are in the process of upgrading their airport facilities so as to facilitate the expansion of tourism and other export-based industries. Through its participation in various international financing arrangements, the U.S. has aided these countries in improving their air transportation facilities.

To remain competitive, continued federal financing of the renovation and expansion of airports located in the U.S. Virgin Islands is essential. The existing airport on the island of St. Thomas is marginal for jet operations. Several aircraft have run off the runway's end with 40 lives lost and considerable damage to both aircraft and vehicles on the ground. Phase one of the airport expansion project which is currently underway, is now

80% complete and involves the creation of 98 acres of land requiring eight million cubic yards of fill. Federal funds totalling $37 million, and $8 million of local funds have been committed to this phase. The U.S. Virgin Islands Port Authority currently needs $40 million to complete phases two and three of the expansion of the St. Thomas airport facility. Phases two and three involve the construction of a 7,000 foot runway, a commercial terminal (to replace a converted World War II hangar) and ancillary improvements such as safety areas, lighting, taxiway, and access roads. Recent cut-backs in federal airport funds could seriously delay the completion of this facility at a time when competition for Caribbean visitors is intensifying and the U. S. is assisting foreign Caribbean nations to upgrade their tourism facilities. As part of the Caribbean Basin Initiative the Virgin Islands requests administration support for obtaining the needed funds to complete the expansion of its airport projects including the extension of the St. Croix airport runway to 10,000 feet, and expansion and renovation of the terminal.

4. Reduction of the 30% Withholding Tax:
For many years, officials in the U.S. Virgin Islands have been studying ways in which to stimulate new investments in the Territory. The Governor's Economic Policy Council has concluded that one of the prime deterrents to investment has been the 30% tax imposed by the U.S. Internal Revenue Code on dividends, interest, rents, and other passive income which is remitted from the Virgin Islands to the United States. In September 1981, Governor Juan Luis requested that the V.I. Delegate to Congress introduce legislation to permit the reduction of the rate of tax and to eliminate existing restrictions which in many cases limit the amount of this tax which can be credited against U.S. tax liability. On December 3,

1981, Congressman de Lugo introduced, with bi-partisan support, H. R. 5113 which encompasses the Governor's proposal to reduce the 30% tax rate to 10% with an option to permit the territorial government to reduce the rate further, if necessary to remain competitive with other investment areas. The bill permits United States recipients of Virgin Islands passive income to credit payment of the tax against U.S. tax liability without the restrictions now embodied in the foreign tax credit provisions of the U.S. Internal Revenue Code. The bill has been assigned to the House Ways and Means Committee.

Passage and implementation of the bill will make the U.S. Virgin Islands more competitive in attracting investment dollars. For the past five years, Puerto Rico has enjoyed the benefits of Internal Revenue Code Section 936 which permits companies to operate in the Commonwealth entirely free of U.S. taxes, including the 30% tax on repatriation of funds with which firms operating in the U.S. Virgin Islands are saddled. Many other countries in the Caribbean participate in tax treaties with the United States which permit repatriation at rates ranging from 5 to 15 percent. Thus, even if the United States were not now proposing new means to encourage investment throughout the Caribbean, the relief proposed by H.R. 5113 is essential to elevate the U.S. Virgin Islands to an equal competitive footing with our neighbors. In the context of the Caribbean Basin Initiative, however, enactment of this bill becomes essential if the U.S. Virgin Islands is to maintain any possibility of attracting new industry and new jobs. Should additional tax incentive programs be made available to other Caribbean economies, the Virgin Islands should also be in included in such programs.

As part of its Caribbean Basin Initiative, we recommend the Administration lend its full support to the Territory's efforts to gain passage of H.R. 5113, including supporting testimony by appropriate officials of the Administration during Congressional hearings on the bill, likely to be scheduled during February or March of 1982.

5. Tax and Trade Concessions:

Headnote 3(a) of the U.S. Tariff Schedules allows U.S. Virgin Islands manufactured commodities which have less than 50% dutiable foreign material components (70% in the case of watches and watch movements) to enter the U.S. duty free. In 1980, firms operating under Headnote 3(a) employed approximately 800 persons (about 25% of total manufacturing employment). This provision was intended to allow U.S. Virgin Islands produced commodities to enter U.S. markets at competitive prices and to provide some relief from higher transportation costs associated with U. S. Virgin Islands manufacturing operations. Headnote 3(a) is also a compensatory program to permit the U.S. Virgin Islands to offset the higher cost of operating under the U.S. laws and regulations, as compared to competing Caribbean economies.

We strongly object to the concept of a one- way free trade zone between foreign Caribbean nations and the U.S. In effect, this concept is an extension of the special privilege accorded to the U. S. Virgin Islands producers under Headnote 3(a) to foreign countries in the Caribbean Basin and as such represents a serious erosion of a concession granted to the U.S. Virgin Islands to compensate our firms for the higher costs of operation under the U. S. laws.

For several years the U. S. Virgin Islands has requested that the U. S. Congress raise the dutiable foreign materials exemption to 70% for all U.S. Virgin Islands produced commodities to compensate for past and projected U.S. tariff schedule reductions and changes in international exchange rates which have reduced the benefits that have historically been derived from the 50% foreign materials provisions of Headnote 3(a). As a part of the Caribbean Basin Initiative, the Administration should propose that Headnote 3(a) be amended to provide for a 70% foreign materials exemption on all U.S. Virgin Islands produced goods.

We concur with Puerto Rico's assessment of the adverse consequences which extending tax incentives for investment and one-way reductions in customs duties would have on the industrial development programs of both the U. S. Virgin Islands and Puerto Rico. The U. S. Virgin Islands Department of Commerce recently completed a study which identified key industries, such as those manufacturing scientific and measuring instruments, pharmaceuticals, plastics, office and computing machines, electrical industrial apparatus, and electronic components and accessories which could profitably operate in the U.S. Virgin Islands. An extensive promotional campaign is currently underway to develop these industries and attract new firms to the U. S. Virgin Islands. The Caribbean Basin Initiative would seriously impair our ability to successfully diversify our economy if the products and industries noted above were included in the free trade zone and tax incentive program for the Caribbean Basin. Therefore, we recommend that industries producing these products along with rum and watches be excluded from free trade zone and tax incentive treatment.

We have reviewed Puerto Rico's proposal for Caribbean Basin Corporations. While we lack sufficient information to fully evaluate this alternative, it does not appear to be advantageous for the U.S. Virgin Islands. Products shipped from other Caribbean countries to the U.S. Virgin Islands would invariably be trans-shipped through Puerto Rico to the U. S. The additional transportation costs would effectively preclude the U. S. Virgin Islands from consideration as a location for a Caribbean Basin Corporation.

Finally, the U. S. Virgin Islands is currently not included under Section 936 of the Internal Revenue Code. Before considering Section 936-type investment incentives for U.S. firms operating in foreign nations, the federal government should work with the U. S. Virgin Islands in developing a program similar to Section 936 for firms operating in the U. S. Virgin Islands.

6. Territorial Development Bank:
Mr. Pedro Sanjuan, Assistant Secretary of the Interior for Territorial and International Affairs, recently expressed an interest in establishing a development bank for U. S. Territories. While the proposal is only in the concept stage, the U. S. Virgin Islands would support such a proposal as a potential source of low-interest funds for economic development and diversification. We urge that the proposal move forward, and be included for implementation in the Caribbean Basin Initiative.

7. Tourism:
Tourism is the industry which best utilizes the limited natural resources existing in the region. American tourists account for a substantial number of Caribbean visitors, almost 70 percent in 1980. Thus the success of the tourism sector in the region is closely tied to the internal conditions of the U.S. economy. U. S. monetary and fiscal policies, and actions by the Civil Aeronautics Board and other regulatory agencies impact on tourist travel to the area. The importance of this activity necessitates the formulation of special policies directed toward the development of the entire region's tourism potential. These policies should increase the number of tourists visiting the Caribbean including the

U. S. Virgin Islands, and not merely redistribute the current flow at the expense of the U. S. Virgin Islands tourist traffic.

Airline Fares and Service: Foreign nations stimulate vacation travel to selected Caribbean destinations through subsidized fares on national airlines. In recent years the U. S. Virgin Islands has been served directly by only two U. S. trunk carriers, with such high load factors that discounts are not generally available, particularly during the peak tourist seasons. The United States, which has no government operated airlines, could compensate for this rate differential by subsidizing direct flights to the U.S. Virgin Islands. Two suggested methods for inclusion in the Caribbean Basin Initiative are: 1) U. S. tax credits to airlines of landing fees for aircraft flying direct to the U. S. Virgin Islands and 2) personal income tax deductions for airfares for overnight visitors to the U. S. Virgin Islands. Under the latter proposal, for example, a visitor could be allowed a 50 percent (50%) tax deduction for airfare for one round trip flight to the U. S. Virgin Islands per year, provided that he remains in the U.S. Virgin Islands for at least three nights.

Convention Tax Deductions: As a result of the 1976 Tax Reform Act, the U. S. Virgin Islands has become an increasingly attractive convention destination. In 1981, the U. S. Virgin Islands will host 187 conventions and almost 23,000 convention guests, with an expected average length of stay of five days. This represents a 40% average annual increase in convention business since 1975. Clearly, the 1976 Tax Reform Act allowing tax deductions for conventions in the U. S. Virgin Islands has been a major boost to our economy. Also, conventioneers to neighboring Puerto Rico (which has significant convention business) often make day trips to the U. S. Virgin Islands for shopping and sightseeing.

Extension of this benefit to other Caribbean economies can be expected to negatively impact our growing convention business and would jeopardize the value of existing investments in convention and recreational facilities initially stimulated by this concession to the U. S. Virgin Islands. We oppose an extension of this tax treatment to other Caribbean destinations without some equal compensating incentives for the Virgin Islands tourism industry.

Liquor Allowance: Currently, U. S. Virgin Islands visitors can return to the U. S. with four liters of liquor. The administration should consider permitting visitors to purchase a fifth liter of U.S. Virgin Islands rum as part of their duty free liquor allowance. This provision would help stimulate local rum production.

8. Virgin Islands Watch Industry: Current developments in the U. S. Virgin Islands watch industry exemplify the difficulty which the territory has in attracting and sustaining manufacturing industries even with current tax and trade concessions which are not extended to other Caribbean economies. During the past few years employment and production in the Virgin Islands watch industry has declined by 50 percent as a result of several factors including: an erosion in the value of the U.S. dollar vis-a-vis foreign currencies; reduction in U.S. tariff schedules; decreasing demand for mechanical timepieces; and the emergence of Hong Kong as a center for low labor cost watch exportation. To compensate for these changes and to revitalize the U.S. Virgin Islands watch industry, both local and federal legislation is being considered. On the local level certain tax exemptions in lieu of subsidies would improve the cash flow of the watch manufacturers. At the federal level, legislation is being drafted to eliminate the 70/30 ratio for watches under

Headnote 3(a), and the Secretaries of Commerce and Interior would be empowered to establish such criteria for determining duty liability as would result in the maximum amount of direct economic benefit to the U. S. possessions. Labor input per unit produced has been suggested as the most appropriate criterion. Further, to prevent a pass-through operation, it has been suggested that a $50.00 maximum landed value of foreign components per unit be imposed.

An essential element of the Caribbean Basin Initiative would be an assurance that federal legislation will be promoted to revitalize the Virgin Islands watch industry, and that concessions granted to other Caribbean economies would not jeopardize this important Virgin Islands industry.

9. Other Areasof Concern to the U. S. Virgin Islands: Establishment of the College of the Virgin Islands as a Research and Training Center for the Caribbean Basin Initiative: As the only American, English-speaking institution of higher learning in the Caribbean, the College of the Virgin Islands is in an excellent position to provide the training, research and expertise needed to further the economic, political, and social development of the region. A proposal has been submitted to the U. S. Department of Interior and planning funds have been appropriated by Congress to establish an Eastern Caribbean Center for Educational, Cultural, Technical and Scientific interchange at the College. Establishment of the Center would enable the College to share with neighboring Caribbean islands, strengthened programs of management training, agricultural research, fishing industry development and technical education.

The College of the Virgin Islands is uniquely suited to provide such research and training due not only to its geographic location at the mid point of a string of island - states within the Caribbean, but also because of the similarity of the cultures, traditions, and ethnicity that the Virgin Islands shares with many of the countries that the Caribbean Basin Initiative is designed to assist. During its twenty year history, the College has already reached out to its neighboring islands, and a large porportion of its students and faculty comes from the Eastern Caribbean.

Specific existing programs at the College, which could be expanded as part of the Caribbean Basin Initiative, include the Caribbean Research Institute which emphasizes micro state research designed to assist in the development of Caribbean island-countries; the Agricultural Experiment Station and Cooperative Extension Service which provides neighboring islands with technological assistance in improving food production; the Bureau of Public Administration which has been assisting local government employees in improving their management skills; and the Reichhold Center for the Arts which is dedicated to providing a forum for the exchange of artistic expression and cultural tradition among the islands.

As part of the Caribbean Basin Initiative, the administration should provide the funds necessary to implement this program which has been endorsed by both the Department of Interior, and Congress.

Testing and Development of Alternate Energy Resources: The Virgin Islands Government, through its Energy Office, and the Virgin Island Water and Power Authority have been exploring means of providing research and testing of alternate energy sources as one means to deal with the high cost of energy worldwide. Such efforts are particularly significant in the Caribbean where a very high proportion of energy is provided by foreign oil imports. Due to Caribbean weather patterns, the U. S. Virgin Islands is an ideal location for testing of wind and solar energy projects. Proposals have been submitted to the federal government to establish an Ocean Thermal Energy Conversion test project near St. Croix. St. Croix's proximity to the deepest ocean trench in the hemisphere, as well as the islands own need for reliable and efficient energy sources, make it particularly suitable as the location for this project.

Financing Assistance for Electric Generating and Water Production, Distribution and Storage Facilities: The Assistant Secretary of Interior for Territorial and International Affairs recently stated that one of the most significant obstacles to improving the economic development climate of the U. S. Virgin Islands and the other territories is the lack of sufficient reliable electric power. Our needs in this area and in the area of water production, distribution, and storage are immediate and continuing, and the Virgin Islands Government has regularly expressed them to both Congress and the Administration.

A comprehensive water and power plan to improve existing facilities and to provide new ones was presented last year. In order to fund these projects the federal government, as part of the Caribbean Basin Initiative, could assist the Virgin Islands through a coordinated program of direct grants and loan guarantees for tax exempt bonds. Without such assistance, the local government will be hard pressed to obtain the necessary capital funding for a level of electric service and water supply which will attract industry and provide its citizens with reliable water and electric power service.

Improving Inter-Island Maritime Transportation: Regularly scheduled and reasonably priced inter-island transportation services in the Caribbean are virtually non-existent at this time. A basic transportation network is essential for the economic development of the region, and it will become even more important as the other elements of the Caribbean Basin Initiative begin to stimulate increased trade in the region. With the completion of a modern containerport on St. Croix, expected within the next few months, the Virgin Islands will have one of the elements it needs to become a transportation link to the rest of the Caribbean. Increased imports of food products from our island neighbors could be combined with canning and packaging plants to create new jobs in the Virgin Islands, but such development is unlikely to occur without federal assistance. A federal subsidy program for inter-island shipping companies would contribute significantly to reducing the costs of trade among the nations of the region and thus turn the concept of "free trade" in the Caribbean into a viable reality.

Virgin Islanders as Ambassadors to the Caribbean and the World: Presently two Virgin Islanders serve as U.S. Ambassadors: Terrence Todman is the Ambassador to Spain; and Melvin Evans is the Ambassador to Trinidad. They help reflect the spirit of friendship and diplomacy for which Virgin Islanders have long been known. Because of our close political, social, and cultural ties to the rest of the Caribbean, Virgin Islanders are particularly suited to serving their country through diplomatic posts. The federal government should increase the number of Virgin Islanders in ambassadorial and consular positions in the Caribbean and elsewhere in the world.

Participation by Virgin Islands Representatives in All Caribbean Basin Initiative Consultations and Negotiations: The Virgin Islands joins with Puerto Rico in requesting that both the Territory and the Commonwealth be included in discussions between the United States and Caribbean countries on the Caribbean Basin Initiative. Not only will this give us a greater knowledge and understanding of the policy and its implementation, but the participation of the U. S. Caribbean territories in United States delegations and meetings with other Caribbean nations will also symbolize the nation's commitment to the region.

AMERICAN SAMOA

STATEMENT OF HON. I. F. SUNIA, U.S. REPRESENTATIVE, AMERICAN SAMOA

ACCOMPANIED BY:

HON. PETER TALI COLEMAN, GOVERNOR OF AMERICAN SAMOA
HON. GALEA'I P. POUMELE, PRESIDENT OF SAMOAN SENATE
HON. TUANAITAU F. TUIA, SPEAKER OF THE HOUSE, AMERICAN SAMOA
ACE TAGO, BUDGET DIRECTOR

STATEMENT OF HON. I. F. SUNIA

Senator McCLURE. American Samoa, the Honorable Fofo I. F. Sunia and the Honorable Peter Coleman, Governor of American Samoa. You may proceed. As I've indicated already the statement will be placed in the record in full as if given in full and you may proceed.

Mr. SUNIA. Thank you, Mr. Chairman, and may I say good morning and it's a pleasure again to come before you this morning to speak on behalf of the Territory of American Samoa's budget. We do, as you indicated, have prepared statements that we shall not read. At least I shall not go into it except to point out—and I'm sure staff has looked into that and will advise you accordingly—that indeed the major problem that faces the territory today is the power situation. I know that staff is fully aware of all the points that are involved and our efforts in the recent past, and at this point may I commend you, sir, and the committee for your attention to this particular problem as well as others.

With those brief words, Mr. Chairman, I wish to thank you once again and may I take the opportunity at this time to introduce our distinguished Governor, the Honorable Peter Coleman; as well as the president of our senate, the Honorable Galea'i P. Poumele; the speaker of our house, the Honorable Tuanaitau Tuia; and the budget director of our government, Mr. Ace Tago.

Senator McCLURE. Thank you very much. I appreciate your statement. We are aware of that problem. We're going to do what we can.

Governor Coleman, it's a pleasure to have you before the committee again to see an old friend that we've known for so long. It's nice to have you here.

Governor COLEMAN. Thank you, Mr. Chairman. This will just be a condensed highlighting of our presentation.

To give the committee a picture of the status of our economy, we are moving very well. Many of our needs have been met. But, as you mentioned, Mr. Chairman, the power situation is so critical. We have acquired all these blocks in economic development and we've put them all together and we find that the only thing missing is a reliable power and electrical system. So that is our main thrust in our request, Mr. Chairman. Thank you very much for this opportunity to be here.

PREPARED STATEMENTS

Senator McClure. We will place all the statements in the record.

[The statements follow:]

Statement of Fofo I. F. Sunia, Delegate From American Samoa

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY ALONG WITH GOVERNOR PETER COLEMAN, SENATE PRESIDENT GALEA'I POUMELE, AND SPEAKER OF THE HOUSE TUANA'ITAU TUIA, OF THE TERRITORY OF AMERICAN SAMOA, IN ORDER TO DISCUSS OUR BUDGET REQUEST FOR FISCAL YEAR 1983. I WISH TO MAKE A SPECIAL POINT TO COMMEND BOTH THE GOVERNOR AND THE LOCAL LEGISLATURE OF THE FINE JOB THAT THEY ARE DOING IN SPITE OF THE TIGHT FINANCIAL CONSTRAINTS UNDER WHICH THEY HAVE BEEN FORCED TO OPERATE.

I WILL NOT GO INTO THE DETAILS OF OUR BUDGET REQUEST. I WILL LEAVE THAT TO THE GOVERNOR AND LEADERS OF THE LEGISLALATURE AS THEY ARE IN A FAR BETTER POSITION TO DISCUSS ITS SPECIFICS WITH YOU. HOWEVER, I WOULD LIKE TO ADDRESS MYSELF TO CERTAIN ISSUES WHICH I THINK ARE PARTICULARLY SIGNIFICANT.

MR. CHAIRMAN, I AM HERE TO EXPRESS MY UNQUALIFIED SUPPORT OF THE BUDGET REQUEST FROM THE TERRITORY OF AMERICAN SAMOA AND URGE YOU AND YOUR COLLEAGUES TO CONSIDER THE TERRITORY'S FRAGILE ECONOMY AND THE INTENSE STRAIN UNDER WHICH IT CURRENTLY EXISTS. FOR THE CURRENT FISCAL YEAR, CONGRESS HAS APPROPRIATED $25.1 MILLION FOR OUR TERRITORY. FOR FISCAL YEAR 1983, THE ADMINISTRATION IS REQUESTING $20.3 MILLION, A FIGURE ABOUT 20% LESS THAN FY'82. COMBINED WITH SEVERE CUTS IN FEDERAL GRANT PROGRAMS ON WHICH MANY OF OUR TERRITORY'S PROGRAMS ARE BASED, THE BUDGET OF THE TERRITORY HAS BEEN REDUCED BY A CONSIDERABLE PERCENTAGE.

THE BUDGET SUBMITTED BY THE ADMINISTRATION FOR AMERICAN SAMOA DOES NOT CONTAIN ANY FUNDS FOR OUR ECONOMIC DEVELOPMENT PROGRAM. AS YOU MAY KNOW, WE DO NOT HAVE A SUFFICIENTLY LARGE TAX BASE ON WHICH TO BUILD REVENUE-GENERATING MEASURES. WITHOUT FURTHER ECONOMIC DEVELOPMENT, IT WILL BE NEXT TO IMPOSSIBLE TO BUILD SUCH A FOUNDATION. THE ADMINISTRATION'S PROFESSED INTENT OF PROMOTING OUR ECONOMIC DEVELOPMENT IS CONTRARY TO ITS ACTUAL PRACTICE. I URGE YOUR COMMITTEE TO

APPROPRIATE THE NECESSARY FUNDS TO CARRY OUT THIS IMPORTANT PROGRAM.

MR. CHAIRMAN, NEVER BEFORE HAS THE TERRITORY OF AMERICAN SAMOA FACED A PROBLEM OF SUCH GREAT MAGNITUDE AS THE ELECTRIC FAILURES WHICH CURRENTLY PLAGUE IT. A SEEMINGLY ENDLESS SERIES OF BLACKOUTS AND POWER RATIONING SCHEDULES HAVE, FOR THE PAST YEAR, SERIOUSLY CURED OUR EFFORTS TO BECOME SELF-SUFFICIENT. INDEED, THEY HAVE ALTERED THE VERY PATTERN OF EVERYDAY ISLAND LIFE. LOSSES TO OUR LOCAL MERCHANTS FROM SPOILAGE OF FROZEN GOODS HAVE CAUSED FINANCIAL HARDSHIP OF ENORMOUS PROPORTION. OUR ONLY MAJOR INDUSTRY, TUNA CANNING, HAS BEEN FORCED TO CURTAIL ITS OPERATIONS, WHICH IN TURN, HAS REDUCED THE AMOUNT OF NEEDED WAGES AVAILABLE TO OUR PEOPLE. BUSINESS DISRUPTIONS OF THIS SORT WILL SERIOUSLY AFFECT THE LEVEL OF AVAILABLE TAX REVENUES THIS YEAR. EVEN OUR EDUCATIONAL SYSTEM HAS SUFFERED THE CONSEQUENCES OF AN INCONSISTENT POWER SUPPLY. BECAUSE TELEVISION IS STILL A POPULAR AND IMPORTANT PART OF THE LOCAL CURRICULA, THE ACTUAL QUALITY OF EDUCATION OF OUR CHILDREN HAS BEEN THREATENED. ON A MORE SPECIFIC LEVEL, THE POWER OUTAGES HAVE DAMAGED A COUNTLESS NUMBER OF FAMILY AND HOME APPLIANCES, WHICH, GIVEN THE HIGH COST OF AIR AND OCEAN FREIGHT, HAS PUT MANY AMERICAN SAMOANS IN FINANCIAL JEOPARDY.

I AM BRINGING THIS MATTER TO YOUR ATTENTION AND ASK FOR YOUR SUPPORT. IN ORDER TO LICK THIS PROBLEM ONCE AND FOR ALL, WE NEED MONEY -- THIS IS OBVIOUS. HOWEVER, INSTEAD OF A LOAN GUARANTEE ARRANGEMENT PROPOSED BY THE ADMINISTRATION, I AM ADVOCATING A DIRECT GRANT OF $8 MILLION, AN AMOUNT WHICH WOULD PUT OUR ELECTRIC POWER GENERATING SYSTEMS BACK INTO STEADY OPERATION. THERE HAVE BEEN EXPRESSIONS OF DOUBT THAT A GRANT OF THIS NATURE AND MAGNITUTE WOULD SOLVE THE PROBLEM. SOME SAY IT WOULD BE FAR BETTER TO PUT THE SYSTEM ON A PAYING BASIS, AND THEN DEVELOP FROM THERE. MR. CHAIRMAN, IN MY OPINION, THE SYSTEM NEEDS THIS ENTIRE INJECTION OF FUNDS ALL AT THE SAME TIME, AND THAT TIME IS NOW. PIECEMEAL INJECTIONS CANNOT STEM THE TIDE AND WILL BE LIKE THROWING GOOD MONEY AWAY.

TO BRING THE PRESENT ELECTRIC POWER SYSTEM TO AN OPERATIONAL AND PAYING BASIS, WE NEED FIRST TO REPLACE OLD AND NON-FUNCTIONING GENERATORS, REPAIR OTHERS WHICH CAN BE REPAIRED, CORRECT MANY INADEQUACIES, PROVIDE REAL UP-TO-DATE TRAINING, AND THEN GO AFTER DELINQUENCIES AND ESTABLISH APPROPRIATE CHARGES. THERE ARE TWO REASONS FOR MY SEEKING THIS CHANGE. FIRST, THERE MAY BE LEGAL OBSTACLES TO A LOAN GUARANTEE BECAUSE IT IS NOT CLEAR IN THE TERRITORIAL CONSTITUTION WHETHER OR NOT THE GOVERNMENT OF AMERICAN SAMOA CAN BORROW MONEY. SECONDLY, I FEEL THAT SINCE OUR POWER SYSTEM IS IN SUCH AN ADVANCED STATE OF DISARRAY, IT WOULD NOT BE POSSIBLE TO EXPECT ANY REPAYMENT OF SUCH A LOAN IN THE FORESEEABLE FUTURE.EVENTUALLY, WE MIGHT BE FORCED TO ASK FOR AUTHORITY TO WRITE OFF SUCH A SUBSTANTIAL SUM.

THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS SUBMITTED A REPORT TO THE BUDGET COMMITTEE RECOMMENDING THAT A GRANT SUCH AS THE ONE I HAVE DESCRIBED TO YOU BE APPROPRIATED. THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE RECENTLY DROPPED THE HOUSE-PASSED GUARANTEE OF UP TO $8 MILLION IN LOANS TO AMERICAN SAMOA FOR THE PURCHASE OF POWER GENERATORS CONSISTENT WITH THE ABOVE RECOMMENDATION OF A GRANT.

MR. CHAIRMAN, WE NEED THIS MONEY DESPERATELY. WITHOUT THESE FUNDS, THE POWER SITUATION WILL CONTINUE TO DISRUPT THE LIVES OF OUR PEOPLE AND EFFECTIVELY PREVENT THE ECONOMIC INDEPENDENCE AND PROGRESS TO WHICH WE ASPIRE. THANK YOU FOR YOUR ATTENTION.

Statement of the Legislature of American Samoa

INTRODUCTION

Mr. Chairman and distinguished Committee Members, on behalf of the Legislature of American Samoa, we express our appreciation for this opportunity to comment on the proposed 1983 budget request for American Samoa as revised by the Department of the Interior. You also have before you the report from the Committee on Interior and Insular Affairs, which differs in several respects from the recommendations of D.O.I.. For your further comparison, we have included, (infra), the Preliminary FY 1983 budget as approved by the Legislature last July. These proposals are outlined as an attachment to the last page of our remarks.

STATEMENT

May we first say that we are pleased in most respects with the recommendations of the Committee on Interior and Insular Affairs concerning the proposed budget for the Territory. The Committee's recommendations show a sound understanding of the particular needs of American Samoa and the peculiar circumstances in which we must deal in meeting these needs. We respect the Committee's recommendations, as well as the Department of Interior's request; however, we would like to present the budget request for Fiscal Year 1983 as proposed by the Legislature of American Samoa. After thoroughly examining and and prioritizing the needs of the Territory we approved the following budget proposal. We respectfully request your consideration of our views in your budget deliberations. For the most part, the recommendations of the Committee on Interior and Insular Affairs support our proposal.

The initial budget proposal approved by the Legislature for Department of the Interior funding is as follows:

	1982	Proposed 1983	To Change
Basic Operations	$17,664,000	$18,903,000	+ 7%
Capital Improvements:			
Electric generators		5,940,000	
Medical equipment		144,000	
School repairs & additions		495,000	
School buses		135,000	
Dock upkeep		90,000	
Sewer upkeep and improvements		207,000	
Afono - Vatia road		450,000	
Sidewalk and drainage projects		225,000	
Water system improvements		1,080,000	
Classroom equipment and playground improvements		108,000	
Leone bridge repairs		135,000	

	1982	Proposed 1983	To Change
Ta'ū Harbor improvements		90,000	
Auasi - Aunu'u Harbor improvements		67,500	
	7,099,000	9,166,500	+ 29%
Economic Development Loan Fund	204,000	700,000	+192%
Canton Island Administration	144,000	-0-	-100%
TOTAL INTERIOR FUNDING	$25,147,000	$28,769,500	+ 15%

ELECTRIC POWER

Since this preliminary budget proposal was approved, several events have occurred which require certain adjustments to our original proposal. Of primary concern is our electric power generation problem. We have found that the $5.9 million previously proposed would not be sufficient. As the Governor has stated, since the beginning of calendar year 1980, efforts have been made to secure funding to replace power generators that have far outlived their useful service. These efforts have been unsuccessful to date. Although we are grateful for the $1.5 million granted in 1981 and $1.4 million in 1982 for generator repairs, we strongly believe that such fragmented efforts cannot provide any long-term solutions to the critical electrical power problem in the Territory. A more comprehensive approach is crucial. The Administration did respond to our concerns by proposing a Federal guarantee for a loan of $8 million. However, as recognized by the Committee on Interior and Insular Affairs, circumstances surrounding our power authority's ability to borrow make it imperative that a grant be appropriated. The electric power situation is very critical in the Territory, and the most expedient method of funding available is necessary in order to promptly alleviate the multitutde of problems resulting from the deficiencies of the present equipment. For the record, we reiterate the harmful effects which the frequent outages and continual rationing have had on the economic development as well as everyday life in the Territory. The outages constantly interefere with the operations of homes, businesses, and governmental agencies. The surges resulting from the constant loss and restoration of power have caused a great deal of irreparable damage to private and public property, including vital and expensive medical equipment. Private businesses continue to suffer losses directly attributable to the power situation - losses which can be disastrous to small businesses. Many businesses are being forced into buying individual generators just to be able to operate. Even this option is not available to the smaller businesses or homes, who can only accept the situation and contend as best they can. In summary, Gentlemen, not only will human comfort be denied but economic development will be held in limbo until the Territory has a reliable source of power. We feel that this $8 million grant would do more than any other type of Federal aid in supporting economic development and furthering the self-sufficiency of the Territory.

MEDICAL REFERRALS

Another area of concern is the off-island medical referral program, for which the Governor has requested an additional $500,000. As the Governor remarked, the off-island medical care budget has increased dramatically in recent years. The Select Joint Legislative Committee, our Legislative oversight apparatus, has investigated this program and found the recently adopted cost-containment program encouraging. In the second quarter of FY '82, off-island medical costs have decreased to $179,862, down from the $374,813 spent during the first quarter before the cost-containment program was operational. Even if this Committee authorizes additional funding, you may be assured the Legislature will take further steps in reducing costs in this area, including acquisition and maintenance of needed medical equipment as well as attracting and retaining specialized medical personnel. The more health problems we are able to address at LBJ Tropical Medical Center, the less we'll have to spend on off-island care. You will also note that when the Legislature approved the preliminary budget request, it contained a specific request for $160,000 for medical equipment ($144,000 D.O.I. grant and $16,000 local funds).

ECONOMIC DEVELOPMENT

Concerning the Economic Development Loan Fund noted in the Governor's statement, the Legislature included a funding level of $700,000 for the fund in its original proposal. We reiterate the need for funding, which is imperative for the economic development of the Territory. These funds are used to provide loans to those prospective businesses which will bring and retain money in the Territory and will provide needed employment for the local people. This loan program has been very successful in promoting the Territory's economic development, and the discontinuance of this fund would greatly impede the progress which we feel this program has permitted in the development of our economy and the promotion of self-sufficiency. The Committee on Interior and Insular Affairs has recommended $500,000 for the continuance of this program, which is a minimum level of funding. As stated by the Governor, the American Samoa Development Bank has pending applications valued at over $1 million for which there are no funds available. Due to the importance and success of this program in the area of economic development, we reaffirm our request of funding for this program at the level recommended by the Committee, ($500,000).

ADDITIONAL C.I.P. REQUESTS

Besides the request for generator equipment, the Legislature supports a request of $3.2 million in capital improvement funding. We still firmly believe in each of the projects for which funding was initially requested, even though the Administration has proposed funding for only the school improvements, Afono-Vatia road and the tugboat. The other projects listed are very important to the immediate welfare of the people of American Samoa as well as to the future of economic development in the Territory. For example, the medical equipment funding is necessary for our continued effort to reduce our dependence on off-island medical facilities. We know money is scarce and that you are besieged with budget requests. But as our partner in progress, you recall past projects, such as the dock expansion and marine railway improvements which you approved. These projects are underway and will soon be contributing to our economy as we stress transshipment capacities and increased marine repair and maintenance service. But without additional funds to correct our power generating problems, as well as the other C.I.P.'s, our past efforts will not achieve their full potential. The Legislature, therefore, requests that you review our proposals in the area of capital improvements before making any final determinations. We would like to add that we firmly concur with the commitment of the Committee on Interior and Insular Affairs to full funding of capital improvement projects. The Committee's recommendations, as stated by the Governor, shows an acute awareness of the economic situations of the territories. The 75%/25% cost-sharing arrangement proposed by the Administration would be an unreasonable burden on American Samoa at this time, especially with the proposed reductions in program and revenue assistance to the Territory.

In summary, Mr. Chairman and Members of the Committee, the Legislature of American Samoa respectfully requests your serious consideration of our proposal as outlined in this statement. We firmly believe that this funding level will not only enable the Territory of American Samoa to operate effectively but will encourage the self-determined development of the Territory, which is our fundamental objective.

GALEA'I P. POUMELE
President of the Senate
Legislature of American Samoa

TUANA'ITAU F. TUIA
Speaker of the House
Legislature of American Samoa

	Original Request as Approved by Fono	DOI - Administration Proposal	mittee on Interior & Insular Affairs Recommendations	Governor's Revised Request to Budget Committee	Fono' Revised Request to Budget Committee	NOTES
Operations Budget	$ 18,903,000	$ 18,903,000	$ 18,903,000	$ 18,903,000 + 500,000 The additional $500,000 for off-island medical referral program	$18,903,000	
Power Generation Equipment	$ 5,940,000	$ 8,000,000 Federal Guarantee for loan	$ 8,000,000 Direct Federal grant	$ 8,000,000 Direct Federal grant	$ 8,000,000 Direct Federal grant	
Capital Improvement Projects besides generation equipment	$ 3,226,500	$ 1,480,000 75% Federal funding for school improvements, Afono-Vatia road, and tugboat	$ 1,975,000 100% Federal funding for the same three projects	$ 1,975,000 100% Federal funding for the three projects	$ 1,975,000 100% Federal funding. Review initial $3.2 million for additional C.I.P.'s.	
Economic Development Loan Program	$ 700,000	$ - 0 -	$ 500,000	$? Does not provide specific figure; note that applications are pending at $1 million	$ 500,000	

STATEMENT OF GOV. PETER TALI COLEMAN

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, IT IS MY GREAT PLEASURE AND HONOR TO APPEAR BEFORE YOU, ON BEHALF OF THE PEOPLE OF AMERICAN SAMOA, IN SUPPORT OF OUR BUDGET REQUEST FOR FISCAL YEAR 1983. BEFORE DELVING INTO OUR REQUEST, HOWEVER, PERMIT ME TO EXPRESS OUR PEOPLE'S APPRECIATION FOR YOUR GENEROSITY, TRUST, AND PROVISION OF OUR PROGRAMS DURING THE PAST FIVE YEARS. YOUR CONTINUED UNDERSTANDING HAS HELPED AMERICAN SAMOA WITH ITS FIRST ELECTED ADMINISTRATION FULFILL SOME OF THE MANDATES ENTRUSTED TO US BY THE UNITED STATES GOVERNMENT UNDER THE DEPARTMENT OF THE INTERIOR SECRETARIAL ORDER NO. 3009, DATED SEPTEMBER 24, 1977.

ALTHOUGH WE HAVE MADE EXCELLENT PROGRESS TOWARDS OUR TERRITORIAL OBJECTIVES, WE BELIEVE THE TASK BEFORE US HAS JUST BEGUN. AMERICAN SAMOA HAS RESOLVED VIRTUALLY ALL OF THE IMMEDIATE PROBLEMS OF THE PAST. PLANS HAVE CHARTED THE FUTURE DIRECTION OF OUR DEVELOPMENT. IMPLEMENTATION OF THESE PLANS HAS BEGUN IN SPITE OF THE ROADBLOCKS WHICH CONFRONT US IN OUR REMOTE LOCATION.

AMERICAN SAMOA'S BUDGET REQUEST FOR FISCAL YEAR 1983 COMPARED TO 1982 IS AS FOLLOWS:

	1982	1983	% CHANGE
OPERATIONS	17,664,000	18,903,000	+ 7%
CAPITAL IMPROVEMENTS:			
1. SCHOOL IMPROVEMENTS		430,000	
2. AFONO-VATIA ROAD		375,000	
3. PURCHASE OF TUGBOAT		675,000	
	7,099,000	1,480,000	- 9.1%
ECONOMIC DEV. LOAN FUND	240,000	-0-	- 100%
CANTON ISLAND ADMINISTRATION	144,000	-0-	- 100%
TOTAL INTERIOR FUNDING	$25,147,000	$20,383,000	-18.9%

WHILE OPERATIONS HAVE INCREASED BY 7%, OUR TOTAL BUDGET REQUEST FOR FISCAL YEAR 1983 COMPARED TO 1982 HAS BEEN REDUCED BY 19%. IT IS A HEALTHY TREND FROM THE STANDPOINT OF NATIONAL GOALS BUT IT FALLS SHORT WHEN UNFORESEEN FORCES PUSH US TO THE WALL. SINCE FISCAL YEAR 1983 BUDGET DECISIONS HAVE BEEN MADE, SEVERAL EVENTS HAVE OCCURRED WHICH WILL SIGNIFICANTLY AFFECT THE WELFARE OF OUR PEOPLE UNLESS RELIEF IS GRANTED BY YOUR DISTINGUISHED COMMITTEE.

FIRST AND FOREMOST IS OUR ELECTRICAL POWER GENERATION PROBLEM. SINCE THE BEGINNING OF CALENDAR YEAR 1980, EFFORTS HAVE BEEN MADE, BASED ON AN INDEPENDENT ASSESSMENT COMPLETED IN THE LATTER PART OF 1979, TO SECURE FUNDING TO REPLACE GENERATORS TOTALING 6 MEGAWATTS IN CAPACITY THAT HAVE OUTLIVED THEIR USEFUL SERVICE LIVES. THESE EFFORTS HAVE BEEN UNSUCCESSFUL TO DATE. WE ARE GRATEFUL FOR THE $1.5 MILLION SUPPLEMENTAL APPROVED IN FY 1981 AND $1,440,000 GRANTED IN THE FISCAL YEAR 1982 BUDGETS FOR GENERATOR REPAIRS. HOWEVER, WE STRONGLY BELIEVE THAT THESE EFFORTS HAVE BEEN FRAGMENTED AND RESULTED ONLY IN BAND AID SOLUTIONS TO A VERY SERIOUS PROBLEM. THE TERRITORY CURRENTLY HAS JUST ENOUGH POWER GENERATION TO MEET ITS PEAK DEMAND OF 13.5 MEGAWATTS WHEN ALL IS WELL. THERE IS ABSOLUTELY NO RESERVE CAPACITY. POWER OUTAGES RANGING BETWEEN TWO TO TWELVE HOURS HAVE CAUSED LOSSES TO BOTH THE PUBLIC AND PRIVATE SECTORS. FOR THESE REASONS, POWER RATIONING, WHICH STILL SERIOUSLY AFFECTS THE NORMAL LIVES OF OUR PEOPLE, HAS BECOME A COMMON PRACTICE. IT IS ONLY WITH YOUR HELP THAT AMERICAN SAMOA CAN RESOLVE ITS POWER PROBLEMS. THEREFORE, I RESPECTFULLY URGE YOUR APPROVAL, FOR THE SAKE OF OUR PEOPLE AND THE PROTECTION OF THE TRUST YOU HAVE BESTOWED UPON THE TERRITORY, OF THE $8,000,000 DIRECT GRANT RECOMMENDED BY THE HOUSE INTERIOR COMMITTEE TO HELP RESOLVE OUR SINGLE MOST PRESSING PROBLEM AT THE MOMENT.

SECONDLY, COMMITMENT TOWARDS THE GOAL OF ECONOMIC DEVELOPMENT MUST BE ACCOMPANIED BY THE MEANS BY WHICH IT IS TO BE ACCOMPLISHED. AMERICAN SAMOA APPRECIATES THE $1,000,000 GRANT APPROVED IN 1979 TO BEGIN ITS ECONOMIC DEVELOPMENT LOAN PROGRAM AND SUBSEQUENT ALLOCATIONS OF $500,000 AND $240,000 IN 1981 AND 1982 RESPECTIVELY. OUR FY 1983 BUDGET REQUEST BEFORE YOU CONTAINS NO FUNDING FOR THIS PURPOSE. THE AMERICAN SAMOA DEVELOPMENT BANK HAS PENDING APPLICATIONS VALUED AT OVER $1,000,000 FOR WHICH THERE ARE NO FUNDS TO PROCESS. AMERICAN SAMOA IS INDEED COMMITTED TO PURSUE ECONOMIC DEVELOPMENT AS ITS ONLY ALTERNATIVE AGAINST THE REDUCTIONS IN VARIOUS FEDERAL GRANTS. THUS, WE RESPECTFULLY URGE YOU TO LOOK FAVORABLY UPON FUNDING FOR THIS ACTIVITY.

THIRDLY, AMERICAN SAMOA'S OFF-ISLAND MEDICAL REFERRAL PROGRAM BUDGET IS UNDER-FUNDED BY $500,000. WHEN THE ORIGINAL REQUEST WAS SUBMITTED, THE DAILY PATIENT RATE AT THE TRIPLER ARMY HOSPITAL IN HONOLULU WAS $293. AS OF OCTOBER 1, 1981, THE RATE INCREASED TO $383 PER PATIENT PER DAY. WHILE OUR GOVERNMENT HAS TAKEN STEPS TO CONTAIN

COSTS FOR THIS PROGRAM THROUGH IMPROVED SYSTEMS FOR REFERRAL, UTILIZATION MONITORING AND OUT-PATIENT FOLLOW-UP FOR WHICH POSITIVE RESULTS HAVE ALREADY RESULTED, REALISTIC ESTIMATES INDICATE THAT THE OFF-ISLAND MEDICAL REFERRAL PROGRAM WILL STILL COST APPROXIMATELY $1,000,000 ANNUALLY FOR THE NEXT TWO YEARS.

THE FOURTH PROBLEM THAT IS IMPACTING OUR TERRITORY SIGNIFICANTLY IS THE REQUIREMENT OF 25% LOCAL MATCHING FOR CAPITAL IMPROVEMENT PROJECTS. THIS REQUIREMENT IMPOSES A SEVERE BURDEN ON LOCAL REVENUES AT A TIME WHEN OUR TERRITORY IS CONCURRENTLY FACED WITH FEDERAL GRANT CUT BACKS FOR WHICH LOCAL RESOURCES ARE EXPECTED TO ASSUME ESSENTIAL PROGRAMS, SO FAR, WE HAVE SUFFERED TOTAL ELIMINATION OR CUT BACKS, AS EXAMPLES, IN CETA, YACC, PUBLIC HEALTH SERVICES PROGRAMS, HEALTH PLANNING, FEDERAL HIGHWAY, EPA, EDA, HUD, AND LEAA. TO HELP OFFSET THESE REVENUE LOSSES IN VITAL AREAS, AMERICAN SAMOA MUST EMPHASIZE THE VERY FACTUAL NEED TO ELIMINATE THE 25% LOCAL MATCHING REQUIREMENT NOW IMPOSED AND RECEIVE 100% FUNDING FOR EACH CIP.

MR. CHAIRMAN, THESE AREAS OF MAJOR CONCERN TO US AT THIS TIME ARE REAL AND WE TRUST YOUR COMMITTEE WILL GIVE THEM DUE CONSIDERATION.

I, AGAIN, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE AND MAY THE LORD BLESS YOU DURING YOUR DELIBERATIONS.

PURCHASE OR REPAIR OF GENERATORS

Senator McClure. Thank you very much. If funds in the amount of $8 million were made available, would you purchase new generators, repair the old ones, or do a combination of both?

Governor Coleman. We have three options and all these three options are to purchase new generators. The difference that we have in our thinking would be in type of generators to be purchased. One is to purchase two high speed generators. The other option is to purchase one large generator. And the third option is to purchase a generator that will use the residual oil for fuel at a much lower cost of fuel. And these are the options that we have.

But to answer your question, the $8 million will be used to purchase new generators.

Senator McClure. Last year there was a plan to purchase four generators from NASA at $6 million. What happened to that plan?

Governor Coleman. We had several people look into it and we started off with an estimated cost of about $3 million to bring these generators down, but we found that these generators are unusually heavy and that it would cost us at least $13 million to install. So it was felt at the time that it would be best for a complete replacement effort so we'll have a brand new generating system that will be good for another 25 years.

CLOSING REMARKS

Senator McClure. Thank you, gentlemen, very, very much.

Mr. Poumele. Mr. Chairman, the legislature of American Samoa would like to be part of this hearing and are in support of our Governor's statement.

Senator McClure. Thank you very much. I neglected to mention that, of course, your statement will be placed in the record in full. We appreciate your appearance today. Thank you all very much.

GUAM

STATEMENT OF HON. ANTONIO BORJA WON PAT, U.S. REPRESENTATIVE

PREPARED STATEMENTS

Senator McCLURE. Appearing on behalf of Guam, the Honorable Won Pat, again, a man not unknown to this committee and always welcome before this committee.

Mr. WON PAT. Greetings, Mr. Chairman. It's a pleasure to be here and it's an honor, of course, to testify before your committee.

As you know, I want to extend regrets for the inability of our Governor to be present today because of pressing matters at home and, likewise, with the speaker of the Guam Legislature. However, I do have their statement which I ask unanimous consent be placed in the record.

Senator McCLURE. They will be placed in the record in full following your prepared remarks.

Mr. WON PAT. Because of the absence of time, my statement is prepared and submitted already. I would simply summarize it and give you an opportunity to raise some questions.

Principally, I am of course supporting the $17 million that the House subcommittee had approved and that is broken down into a few areas like the Apra Harbor project amounting to $3.2 million; and the water projects which are essential to the island, and the economic development loan fund of $1 million; and the health facilities amounting to $10 million, and that would be all.

I recognize, of course, the need for constraint with respect to the budget and certainly nobody would disagree with the administration of cutting and eliminating waste and efficiency. That summarizes my statement.

[The statements follow:]

Mr. Chairman, I would like to thank you for this opportunity to present to the Appropriations Subcommittee on the Interior the 1983 budget recommendations of the House Insular Affairs Subcommittee. These recommendations were approved by the full House Interior and Insular Affairs Committee on March 10 and were submitted to the Committee on the Budget on March 15 pursuant to Section 301 of the Congressional Budget Act of 1974.

As Chairman of the Subcommittee which has jurisdiction over activities, policies and programs in Puerto Rico, Guam, Virgin Islands, American Samoa and the Northern Mariana Islands, I urge the adoption of these recommendations by the Senate Appropriations Committee.

The Subcommittee on Insular Affairs is in general agreement with the objectives stated in the President's budget request for the territories of the United States, however, what is sought is insufficient for the fundamental objective of encouraging the self-determined development of the territories.

The greater self-sufficiency to which the territories justly aspire is the principal mission of the Department of the Interior in Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands. The Administration of Territories budget should seek to facilitate this.

Even in times of severe budgetary constraint, assistance must be provided to:

Develop and maintain the basic capital infrastructure needed to assure a decent quality of life and allow commercial activity;

Create access to the venture capital needed to expand the private section;

Remove inappropriate Federal constraints which inhibit economic expansion;

Alleviate crippling local budgetary pressures inadvertently caused by Federal policy changes; and

Provide technical assistance to improve insular management capabilities.

Recognizing the imperative for restraint forced by the Federal budgetary situation, the Subcommittee's alterations of the President's request concede that it is realistic to only propose spending for the most critical territorial problems, in addition to legally and traditionally mandated funds, and then only in the most conservative manner.

In addition to what the President has requested, needs which cannot be ignored include funds necessary to:

Develop decent medical facilities in the Northern Mariana Islands and Guam;

Make available some venture capital to Guam and American Samoa;

Help control the disturbing crime problem in the Virgin Islands;

Provide an adequate water supply in Guam and the Northern Mariana Islands;

Allow Guam to tap its marine resources potential;

Comprehensively determine how Federal statutes should or should not apply to Guam, the Virgin Islands, and American Samoa; and

Offer expert assistance to territorial governments to better enable them to meet their responsibilities to their people and maintain essential capital facilities.

The Subcommittee's recommendations are consistent with the precedent of fully funding capital improvement projects the Federal Government considers essential in the territories.

It rejects the administration's proposals to share these costs on a 75 percent/25 percent basis. This would be unreasonably burdensome at a time when the program and revenue assistance which make up such major portions of territorial budgets is being so disproportionately reduced by Federal actions taken without consideration of the impact on the territories.

Further, the Subcommittee is disappointed that the administration has not proposed an equitable adjustment of these impacts, as advised by the Committee on Appropriations. We note that the administration's belated report on these impacts failed to calculate their true consequences.

AMERICAN SAMOA

The Subcommittee does not dispute the $18.903 million contribution proposed by the President toward the operations of the government of American Samoa. The amount and purposes are acceptable.

Consistent with its commitment to full-funding of capital improvement projects, the Subcommittee would provide $1.975 million for the proposed school improvements, Afono-Vatia Road project and purchase of a tugboat needed to connect Manu'a to the northern shore villages rather than the $1.48 million requested for these purposes.

It also, however, strongly believes that the administration's proposal for a limited Federal guarantee for a loan of up to $8 million to purchase crucial power generation equipment is not inadvisable. Departmental reports asserting that the power authority could now receive a favorable bond rating, the lack of constitutional authority for such borrowing, and the persistence of high interest rates in the financial marketplace makes it imperative that a grant be appropriated instead. Only such assistance can be counted on to end the power outages and rationing which hamper economic activity and deny human comfort in the territory.

The administration's professed intent of promoting the territory's economic development is contradicted by its proposal to discontinue contributions to the economic development loan fund. The Subcommittee recommends that the fiscal year 1981 level of $500,000 be restored.

GUAM

A declining level of military activity makes private sector development imperative for Guam. The President's budget request recognizes this in proposing to raise the contribution to the Economic Development Loan Fund, authorized by Public Law 90-601, as amended, from $260,000 in fiscal year 1982 to $500,000 in fiscal year 1983. The Subcommittee, however, believes that access to capital in Guam is so important as to justify supporting the authorized amount of $1 million.

The Subcommittee also considers the administration's plan for development of the island's most significant potential commercial resource, Apra Harbor, inadequate. It would delete the $1.1 million requested for this purpose and substitute $3.2 million for the relocation of an existing roadway and the construction of a harbor of refuge for small boats.

The Subcommittee agrees with the administration that the island's problems of low water pressure or no water at all in some areas should be corrected through construction to the Dededo/Mangilao, Windward Hills, and Yona/Chanlan Pago water transmission lines. It supports increasing the $2.065 million to $2.852 million to accomodate the full-funding of these projects.

The Subcommittee is troubled by the condition of Guam's health care facilities and believes all Americans deserve access to adequate medical care. It therefore, recommends an appropriation of $10 million, as per Public Law 95-348, to renovate hospital facilities and make available in-patient services as well as construct a $1 million health center in the northern part of the island.

NORTHERN MARIANA ISLANDS

To a great extent, the most essential needs of the Commonwealth of the Northern Mariana Islands are committed to be funded under Public Law 94-241. They are appropriately included within the $24,143,000 requested in the President's budget.

In a few major respects, however, the request falls short of irreducible needs.

The Subcommittee finds the $4 million requested by the administration to begin the hospital construction authorized by Public Law 96-205 meaningless and so inadequate as to make initiation improbable in fiscal year 1983. It would support, though, the full amount needed to be expended in fiscal year 1983 of the total $32.126 million over the 3-year period beginning March 1983. This amount is estimated to be $8.9 million. The Subcommittee further favors including contracting authority in the appropriation for this project to assure that a contract can successfully be let. The Nation's unique relationship with the Commonwealth should make this assurance mechanism acceptable. Any further delays in this project would be intolerable, given the deteriorating condition of the present facility.

The inadequacies of the Northern Marianas water system have compelled rationing and imperil the health of its people. The Subcommittee recommends that $1.883 million sought by the territory for the vital airport rainwater catchment project be funded.

THE VIRGIN ISLANDS

The Subcommittee finds the administration's failure to initiate any funding whatsoever for the critical needs of the Virgin Islands inexplicable. Accordingly, it proposes that the highest priority problems of crime and the lack of reliable, adequate power, both of which retard economic growth and detract from the quality of life, be addressed. It suggests the following appropriatons, for which it will shortly report out authorizations:

> $3 million to construct a juvenile pretrial detention center needed to keep a substantial majority of the territory's numerous young offenders off the streets; the first $10 million of a 4-year $40 million program to finance water

and power facilities and recapitalize the power system.

This assistance is critical given the incentives for economic development proposed in the President's Caribbean Basin initiative package. The initiative increases the pressure on the flag territories to attract business to their shores. This is clearly so for the Virgin Islands.

TERRITORIAL ADMINISTRATION

The President's budget request proposes a $750,000 increase in funding to $2.585 million, primarily for the immediate office of the Assistant Secretary, Territorial and International Affairs.

The Subcommittee advocates appropriation of $1.2 million for technical assistance, which is authorized by Public Law 96-597, rather than the $750,000 requested by the administration. It does so, though, on the assumption that the increase will be largely devoted to technical assistance regarding maintenance of essential capital facilities. Their deterioration due to lack of proper maintenance is often the reason that territories are forced to seek Federal assistance for capital development.

The Subcommittee agrees with the transfer of $384,000 to the Administration of Territories amount in fiscal year 1983 from the Office of the Secretary, Departmental Management in the fiscal year 1982 budget to cover expenses of the office of the Assistant Secretary, Territorial and International Affairs. It strongly believes, however, the $336,000 increase requested should be reduced to an $86,000 increase. Specifically, it recommends that the $50,000 additional requested for travel and the $200,000 requested for other services be allocated to the technical assistance program. The $1.585 million recommended by the Subcommittee for the Assistant Secretary's office, in addition to the $1.2 million recommended for technical assistance, should be sufficient for gathering economic and other statistics as well as other activities contemplated by the Assistant Secretary.

Furthermore, the Subcommittee recommends an appropriation of $1 million for a commission to examine the application of all Federal statutes to Guam, the Virgin Islands, and American Samoa, on which it expects to report legislation shortly. Such a review would seek to rationalize the inconsistent, inappropriate, and confused present pattern of Federal laws that now apply or fail to apply to the territories, inhibiting economic expansion, creating inequities, and denying otherwise recognized Federal responsibilities.

COMPTROLLERS' OFFICE

The Subcommittee regards the auditing function of the Comptrollers' Offices as necessary. It recommends an even greater devotion of their resources to technical assistance in fiscal management. It does not feel, however, that the constraint that should be exercised in constructing a fiscal year 1983 budget for the territories permits an increase in the Offices' budget of $213,000 for personnel rotations, as requested by the administration. It supports a continuation of the current spending level of $3.087 million.

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE:

I HAVE ALREADY SUBMITTED TESTIMONY TO YOU, AS CHAIRMAN OF THE HOUSE SUBCOMMITTEE ON INSULAR AFFAIRS, ON THE ENTIRE INTERIOR DEPARTMENT ADMINISTRATION OF TERRITORIES BUDGET FOR FISCAL YEAR 1983. I WILL THEREFORE CONFINE MY STATEMENT TODAY TO THOSE ASPECTS WHICH PERTAIN TO MY HOME ISLAND OF GUAM.

THE $17 MILLION DOLLAR BUDGET FOR ASSISTANCE TO GUAM ENDORSED BY THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS ON THE RECOMMENDATION OF MY SUBCOMMITTEE RECOGNIZES THAT

THE FEDERAL BUDGETARY SITUATION MANDATES RESTRAINT. BUT IT WOULD ALSO MEET IRREDUCIBLE NEEDS WHICH CANNOT BE IGNORED.

AS SUGGESTED BY THE ADMINISTRATION, OUR TERRITORIES BUDGET WOULD HAVE YOU APPROPRIATE FUNDS FOR THE IMPROVEMENT OF APRA HARBOR, OUR ONLY PORT, THE MEANINGFUL USE OF WHICH IS ESSENTIAL TO PRIVATE SECTOR GROWTH. WE ADVOCATE FULL $3.2 MILLION FUNDING OF THE PROJECT AS REQUESTED BY THE GOVERNOR AND LEGISLATURE RATHER THAN THE $1.1 MILLION PARTIAL FUNDING OF PART OF THE PROJECT AS REQUESTED BY THE INTERIOR DEPARTMENT.

THE LIMITED APPROACH SUGGESTED BY THE ADMINISTRATION WOULD JUST DELAY COMPLETION OF THIS WORK SO VITAL TO OUR ECONOMIC DEVELOPMENT. I SHOULD NOTE THAT EVEN INTERIOR ACKNOWLEDGES THAT FISHING INTERESTS ALREADY WANT TO TAKE SUBSTANTIAL ADVANTAGE OF THE IMPROVEMENTS.

LAST YEAR, YOUR COMMITTEE -- AS WELL AS YOUR HOUSE COUNTERPARTS -- REJECTED THE ADMINISTRATION'S PROPOSAL FOR THE FEDERAL GOVERNMENT AND THE TERRITORIES TO SHARE THE COST OF CAPITAL IMPROVEMENTS WHICH THE FEDERAL GOVERNMENT WANTED TO SPONSOR. YOU DID SO CONTENDING THAT COST-SHARING SHOULD BE BASED ON THE ABILITY OF LOCAL GOVERNMENTS TO CONTRIBUTE.

THE ABILITY OF THE GOVERNMENT OF GUAM TO CONTRIBUTE TO SUCH PROJECTS HAS ONLY BEEN UNDERCUT BY FEDERAL ACTIONS DURING THE PAST YEAR. AS YOUR COMMITTEE HAS RECOGNIZED, THE TERRITORIES WERE IMPACTED MUCH MORE SEVERELY THAN GOVERNMENTAL ENTITIES IN THE UNITED STATES BY THE ADMINISTRATION'S PROGRAM CUTS.

THE ADMINISTRATION'S TAX PACKAGE HAD SIMILAR CONSEQUENCES FOR GUAM. BECAUSE OF THE MIRROR SYSTEM, IT IS REDUCING OUR GREATEST SOURCE OF REVENUE -- INCOME TAXES.

THIS UNINTENDED, ADVERSE IMPACT OF THE PRESIDENT'S ECONOMIC PROGRAM IS WORSENING A CRIPPLING DEFICIT SITUATION WHICH CONGRESS AND THE PREVIOUS ADMINISTRATION TRIED TO SOLVE. UNFORTUNATELY, THIS ADMINISTRATION HAS CHOSEN TO TRY TO SUBVERT THE BUDGET ASSISTANCE PROGRAM CONTAINED IN PUBLIC LAW. 96-597.

IT HAS USED INTERIOR'S RESPONSIBILITY TO APPROVE TERRITORIAL PLANS FOR USE OF THE ASSISTANCE TO BLOCK FUNDING. THIS BLATANT DISREGARD OF CONGRESSIONAL INTENT COULD COST GUAM $37.5 MILLION AS WELL AS THE PERNICIOUS EFFECTS OF THE CONTINUING DEFICIT SITUATION. I CONGRATULATE THE SENATE FOR ITS EFFORT TO PREVENT INTERIOR FROM CONTINUING TO SUBVERT THIS PROGRAM THROUGH THE AMENDMENT TO MY BILL, H.R. 5139, IT PASSED THIS WEEK.

FOR THE REASONS I HAVE POINTED OUT, IT WOULD BE IMPOSSIBLE FOR MY ISLAND TO FUND MUCH OF THE COST OF THE VITAL APRA HARBOR IMPROVEMENTS AS THE ADMINISTRATION PROPOSES AND PARTIALLY FUND THE DEDEDO/MANGILAO, WINDWARD HILLS/CHALAN PAGO WATER TRANSMISSION LINES. THIS $2.852 MILLION PROJECT IS NEEDED TO CORRECT PROBLEMS OF EXTREMELY LOW WATER PRESSURE AND NO WATER AT ALL.

IN PUBLIC LAW 95-348, CONGRESS RECOGNIZED THAT THE FEDERAL GOVERNMENT HAD AN OBLIGATION TO ASSURE ACCESS TO DECENT MEDICAL FACILITIES TO THE AMERICAN CITIZENS OF MY ISLAND. WE HAVE RECOMMENDED AN APPROPRIATION OF THE $10 MILLION AUTHORIZED FOR THIS PURPOSE. $9 MILLION WOULD RENOVATE THE DETERIORATING GUAM MEMORIAL HOSPITAL AND MAKE AVAILABLE IN-PATIENT SERVICES. $1 MILLION IS NEEDED TO CONSTRUCT A HEALTH CARE CENTER IN THE NORTHERN PART OF THE ISLAND, THE PEOPLE OF WHICH ARE QUITE DISTANT FROM EXISTING MEDICAL FACILITIES.

PUBLIC LAW 96-601 AUTHORIZED A FEDERAL CONTRIBUTION OF $1 MILLION A YEAR TO GUAM'S ECONOMIC DEVELOPMENT LOAN FUND. ALTHOUGH WE HAVE NOT BEEN RECEIVING THE FULL AUTHORIZED CONTRIBUTION, THE PROGRAM HAS HAD SINGULAR SUCCESS IN FINANCING LOCAL SMALL BUSINESS DEVELOPMENT. MY COLLEAGUES ON THE HOUSE AUTHORIZING COMMITTEE ALSO JOINED ME IN SUPPORTING THE TERRITORY'S REQUEST FOR THIS $1 MILLION APPROPRIATION.

FINALLY, MR. CHAIRMAN, WITH YOUR PERMISSION, I WOULD LIKE TO REQUEST THAT THE STATEMENTS FROM SPEAKER THOMAS TANAKA OF THE GUAM LEGISLATURE, AND THE DEMOCRATIC MINORITY LEADER, SENATOR JOE T. SAN AGUSTIN, WHO ARE UNABLE TO ATTEND THIS HEARING, BE MADE PART OF YOUR HEARING RECORD. SIMILARLY, I HAVE BEEN ASKED BY THE OFFICE OF TERRITORIES OF THE INTERIOR DEPARTMENT, TO REQUEST THAT GOVERNOR OF GUAM PAUL M. CALVO'S STATEMENT ALSO BE MADE PART OF THE RECORD. THANK YOU.

STATEMENT OF HON. PAUL CALVO, GOVERNOR OF GUAM

Please allow me to acknowledge my personal appreciation and that of the people of Guam for the continuing support of this Committee and other Members of Congress for Guam's infrastructure and other financial needs. The add-on of 13.4 million dollars by the Committee on Interior and Insular Affairs, House of Representatives, and the 3.7 million dollars recommended by the Administration will help provide the basic infrastructure needed for continued measure of construction expansion of our private sector. As you know, Guam's initial FY 1983 local budget did not include any funding for capital improvement projects. However, we expect some capital improvement project requests to be introduced during this fiscal year for village improvement projects. The reason for this non-inclusion were multi-faced and included the following:

1. The tax incentives proposed by the President under his program for the economic recovery. While we concur with the Administration's bold initiatives in many areas including, in principle, the provision of tax relief for individual taxpayers so that they can be protected somewhat against inflation and be provided the opportunity to increase their work productivity and savings, federal policy in this area has a negative impact on territorial insular areas like ours which rely heavily on tax revenues to support governmental activities.

Our anticipated losses as estimated by the Department of Interior, resulting from proposed/actual income tax changes are estimated at 9.9 million dollars in FY 1982 and 16.4 million dollars in FY 1983.

Since taxes account for about 44.9% of all Government of Guam revenues, these tax changes have a severe debilitating effect on our revenue base.

2. The President's continued progress towards slowing the growth of government spending with resultant reductions in grant-in-aid programs which account for about 19.0% of our total revenue places another hurdle which would have to be resolved by the government. While states and communities across the nation encounter a similar situation, the territory's geographic isolation distancewise from the mainland continent, her lack of natural resources and limited private sector makes it doubly difficult for the territory to recover. Moreover, there are many other federal policies, regulations and/or legislation which help impede meaningful progress toward an improved economic posture.

Thus, we urge Congress' continued support and wisdom to assist all of the island insular areas in the Pacific basin. We urge support in these areas:

1. To provide the territories with appropriate technical assistance to address their economic, management and related needs.

2. To develop with Department of Interior involvement a plan for the economic revitalization and stabilization of the territories by identifying and jointly assisting the territories in recovering lost revenues, developing economic development incentives and providing regulatory relief for the island territories in all areas which stifle economic growth.

3. To immediately remove the restrictions placed upon the government of Guam by the Brooks Amendment on the transfer of federal property at Cabras Island. Since the passage by Congress of the legislation which permitted the transfer, I was assured by Congressman Won Pat that he would immediately work to remove the restrictions. I sincerely hope that assistance would be forthcoming from this Committee.

4. To allow the cancellation of the 36 million dollar loan for the Guam Power Authority and to waive sections 111 and 123 of the Federal Clean Air Act.

5. To urge action and/or funding consideration for other capital improvement project requests especially those directly relevant for infrastructure and/or economic development.

6. To waive the territories from providing any matching funds in support of these capital improvement requests. The territories currently are not able to provide matching support for these capital improvement requests. Most territories are barely able to support basic governmental activities with their current revenue resources. The 25% match requirement by the Department of Interior will delay the successful implementation of these projects and/or further delay for an indefinite period or postpone forever the carrying out of Congressional intent in granting these funds to the territories in the first place.

7. To urge the necessary authorization, implementation and/or appropriation funding of various public laws which have been enacted by Congress such as U.S. Public Laws 95-134 and 96-597, grants for Guam's health care needs and eliminating general fund deficits.

To develop a Pacific basin regional development bank which would:

A. Provide low interest, long-term loans to businesses, investors and individuals within the Pacific islands which would help expand the economy, create and/or expand employment opportunities, maintain and develop regional infrastructure, sponsor research and developmental activities to enhance the social, cultural and political development of the indigenous population.

B. Serve as a clearinghouse and processing center for "foreign aid" funding, loans and/or grants to foreign countries in the Far and Near East and allow the territory to receive a "nominal" fee for administrative and processing overhead and/or be allowed to retain the "interest"/cumulative fees generated from handling such transactions.

C. Allow the Pacific basin territories to receive loans and/or grants from foreign countries through this organization.

D. Develop a Pacific Basin Advisory Board to monitor investments and government spending, programs and activities which allocate capital to ascertain whether such investments are having a positive impact on the territories.

The projects which have been recommended for FY 1983 funding to the Department of Interior for capital improvements are as follows:

	Administration's Request	Guam's Request	Interior Committee Request
1. Apra Harbor	1.100M	3.2M	3.2M
2. Water Projects	2.065	2.6	2.852
3. Economic Development Loan Fund	.5	3.1	1.0
4. Public Market	-0-	.5	-0-
5. Renovation and Expansion of Guam Rehabilitation and Workshop Center	-0-	.8	-0-
6. Renovation and Expansion of Juvenile Detention Facility	-0-	.5	-0-
7. Computer Center and Drainage Project	-0-	1.2	-0-
8. Health Facilities			
A. Northern Area Health Center	-0-	1.0	1.0
B. Guam Memorial Hospital	-0-	9.0	9.0
TOTAL	3.665M	25.8M	17.05M

In closing, please accept again on behalf of the island people of this territory, our appreciation to the Members of Congress for their solicitous concern these many years for the needs of our island people.

CONSTRUCTION FUNDS

Senator McClure. Well, thank you very much, Mr. Won Pat. The entire statement is in the record.

This year the administration has requested construction funds for only phase one of the commercial port dry dock facility and three water transmission lines. Are those the top of the priority list as far as you're concerned?

Mr. Won Pat. Yes, they are. As you know, the development of the private sector is vital to the economic development of the territory and the commercial port is the only port on Guam and is used, of course, together with the military. Now presently the military have what we call an ammunition dock adjacent to the port and that also puts a constraint on the development. But the Navy is already prepared to move that, to relocate the dock to a separate area. So it is important that appropriating the necessary funding, not just a part of it, in the amount of $3.2 million be approved for that purpose.

POWER PRODUCTION COSTS

Senator McClure. In March of this year the Guam Legislature passed a bill blocking a proposed 25 percent electric rate increase by Guam Power Authority. What effect will this have on GPA's ability to serve the $36 million loan?

Mr. Won Pat. It certainly would affect the revenues of the GPA. It is necessary that the rates should be raised. At the same time, of course, the burden is upon the consumer. Now the fact is there's been some question about the high cost of fuel which the GPA contracted with the private enterprise that supplies the fuel. They're getting a windfall profit of about $8 million this year, so something has got to be done about that because that's the consumers that will be footing that.

Senator McClure. If, as a matter of fact, the GPA cannot service the $36 million loan because of the failure of the rate increase, what effect will that have on the Department of the Interior guarantee of the loan?

Mr. Won Pat. Well, I'm sure that the GPA has that responsibility.

Senator McClure. They have the responsibility, but if they can't raise the rates how are they going to meet it?

Mr. Won Pat. Well, as you know, there was an attempt made by the legislature and of course the administration on this to try to have this thing—to have the loan guarantee waived.

Senator McClure. You mean have the Department of the Interior pay the loan?

Mr. Won Pat. I mean the Federal Government.

Senator McClure. You don't mean waive the guarantee; you mean pay the loan?

Mr. Won Pat. That will probably be the case, but I'm sure that something could be done about it because they are presently paying too much for fuel. I believe that a renegotiation with respect to the fuel supply could be done and so that much more money could be saved.

Senator McClure. Thank you very much. I appreciate your testimony here this morning.

Mr. WON PAT. Thank you very much, Senator.

Senator MCCLURE. I'm sorry the Governor couldn't make it but I understand that.

COMMONWEALTH OF THE NORTHERN MARIANAS

STATEMENT OF HON. PEDRO P. TENORIO, GOVERNOR OF THE NORTHERN MARIANA ISLANDS

ACCOMPANIED BY:

OLYMPIO T. BORJA, PRESIDENT OF THE SENATE

BENJAMIN T. MANGLONA, CHAIRMAN, SENATE FISCAL AFFAIRS COMMITTEE

MARTIN M. TAISACAN, CHAIRMAN, HOUSE COMMITTEE ON APPROPRIATIONS

EDWARD PANGELINAN, WASHINGTON REPRESENTATIVE

DAVID M. SABLAN, SPECIAL ASSISTANT FOR PLANNING AND BUDGET

INTRODUCTION OF ASSOCIATES

Senator McCLURE. Next we'll hear from the Commonwealth of the Northern Mariana Islands, the Honorable Pedro P. Tenorio.

Governor, you're very welcome before the committee this morning. You might introduce the people at the table with you. I have your prepared statement which of course will be made a part of the record.

Governor TENORIO. Thank you, Mr. Chairman. At this time I would like to introduce the members of the legislature. The president of the senate, Senator Olympio T. Borja; the chairman of the Fiscal Affairs Committee, Senator Benjamin Manglona; the chairman of the Appropriations Committee, Representative Martin Taisacan; our Washington representative, Mr. Edward Pangelinan; and my special assistant for planning and budget, Mr. David M. Sablan.

Mr. Chairman, at this time I would like to extend our sincere appreciation for the opportunity to appear before this honorable august body today to testify on the proposed fiscal year 1983 budget for the Northern Marianas.

In view of the limited time allotted us, I'm submitting for the record the complete testimony and justification of our budget request. The members of our legislature are similarly submitting for the record their testimony in support of our budget submission.

Also I would like to ask our Washington representative to summarize the testimony for the record.

PREPARED STATEMENT

Senator McCLURE. Thank you very much. We have the testimony of the commonwealth on the budget together with all the attachments and these attachments will be made a part of the file and your statement will be made a part of the record in full and the statements of the legislature in support of it from the Fiscal Affairs Committee and the president of the senate and from the House Committee on Appropriations will all be made a part of the record in full.

[The statement follows:]

Statement of Pedro P. Tenorio

I AM PEDRO P. TENORIO, GOVERNOR OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS. ON BEHALF OF THE GOVERNMENT AND PEOPLE OF THE NORTHERN MARIANAS I EXTEND TO YOU, MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, OUR DEEP APPRECIATION FOR THE HONOR AND PRIVILEGE OF APPEARING BEFORE THIS AUGUST BODY TODAY TO TESTIFY ON THE PROPOSED FY 1983 BUDGET.

I WISH TO TAKE THIS OPPORTUNITY TO INTRODUCE THE MEMBERS OF THE NORTHERN MARIANAS DELEGATION WHO WILL ASSIST ME DURING THIS TESTIMONY AND WILL ANSWER ANY QUESTIONS YOU OR ANY MEMBER OF THIS COMMITTEE MAY HAVE. THEY ARE MR. EDWARD DLG. PANGELINAN, OUR WASHINGTON REPRESENTATIVE, MR. DAVID M. SABLAN, SPECIAL ASSISTANT FOR PLANNING AND BUDGET, MR. ANTONIO C. TENORIO, DIRECTOR OF PUBLIC WORKS, MR. GEORGE L. CHAN, CHIEF PHYSICAL PLANNER, DR. JOSE VILLAGOMEZ, DIRECTOR OF HEALTH SERVICES AND MR. J. PHILLIP GAUNT, HOSPITAL PLANNER. WE ARE PLEASED TO BE ACCOMPANIED BY THE RANKING MEMBERS OF OUR LEGISLATURE, SENATOR OLYMPIO T. BORJA, PRESIDENT OF THE SENATE; SENATOR BENJAMIN T. MANGLONA, CHAIRMAN OF THE SENATE FISCAL AFFAIRS COMMITTEE, AND REPRESENTATIVE MARTIN M. TAISACAN, CHAIRMAN OF THE HOUSE APPROPRIATIONS COMMITTEE.

THE GOVERNMENT OF THE NORTHERN MARIANA ISLANDS IS GRATEFUL TO THE UNITED STATES GOVERNMENT FOR ITS CONTINUED FINANCIAL SUPPORT UNDER THE COVENANT IN PROVIDING IN THE FISCAL YEAR 1983 BUDGET A SUM OF $28,151,000 IN COVENANT FUNDS, CONSISTING OF $16,590,000 FOR GOVERNMENT OPERATIONS, $8,043,000 FOR CAPITAL IMPROVEMENT PROJECTS, AND $3,518,000 FOR ECONOMIC DEVELOPMENT LOAN FUNDS. LOCAL RESOURCES, DERIVED FROM LOCAL TAXES, FEES AND REIMBURSEMENTS, AMOUNT TO $15,260,000. THE SUBSTANTIAL INCREASE IN LOCAL REVENUE IS ATTRIBUTABLE TO

IMPROVEMENT IN COLLECTION OF DELINQUENT UTILITY BILLS, REVISION OF THE UTILITIES RATES, AND ENACTMENT OF THE NEW TAX LEGISLATION.

THE PROPOSED FY 83 BUDGET FOR THE NORTHERN MARIANAS WAS FORMULATED WITHIN THE FRAMEWORK OF THE GOALS AND OBJECTIVES OF OUR SOCIO-ECONOMIC DEVELOPMENT PLAN, WHICH HAS BEEN REVISED TO PLACE MORE EMPHASIS ON PROJECTS THAT WOULD EQUIP THE COMMONWEALTH WITH THE BASIC INFRASTRUCTURE FOR ITS SOCIAL AND ECONOMIC DEVELOPMENT. THESE PROJECTS ARE FUNDED UNDER THE CIP BUDGET, BUT MOST OF THEM REQUIRE LARGE CAPITAL OUTLAYS THAT EXCEED THE ABILITY OF THE NORTHERN MARIANAS TO FINANCE WITH THE COVENANT FUNDS AND LOCAL RESOURCES.

WE HAVE ALREADY COMPLETED SOME IMPROVEMENT PROJECTS, ESPECIALLY THOSE RELATED TO TOURISM WHICH REMAINS THE CORNERSTONE OF OUR ECONOMY. SAIPAN, TINIAN AND ROTA HAVE MODERN AIR TERMINALS AND NEW RUNWAYS, AND THE NUMBER OF HOTEL ROOMS IS OVER 900. WITH OVER 100,000 TOURISTS A YEAR, WE ARE PLACING SEVERE STRAINS ON OUR ALREADY INADEQUATE POWER, WATER, WASTE TREATMENT, HARBOR, HIGHWAY AND COMMUNICATIONS FACILITIES. WE HAVE IMPROVED SOME OF THESE FACILITIES, BUT THEY MUST BE UPGRADED AT A MORE ACCELERATED RATE IN ORDER TO KEEP PACE WITH THE GROWTH OF THIS VITAL INDUSTRY THAT WILL PROVIDE EMPLOYMENT OPPORTUNITIES TO MANY RESIDENTS. THE IMPROVED INFRASTRUCTURE WILL ALSO ENCOURAGE POTENTIAL INVESTORS TO START NEW INDUSTRIES IN THE COMMONWEALTH.

WE REALIZE THAT THE FY 83 BUDGET IS AUSTERE, BUT WE FEEL THAT THE ADDITIONAL REQUESTS ARE JUSTIFIED BECAUSE THEY HAVE BEEN UNDER CONSIDERATION SINCE THE CREATION OF THE COMMONWEALTH OVER FOUR YEARS AGO. TOGETHER WITH THE OTHER

MICRONESIAN ENTITIES WE ARE FAR BEHIND THE OTHER U. S. INSULAR AREAS IN ECONOMIC DEVELOPMENT, AND WE URGENTLY NEED TO DEVELOP THE BASIC INFRASTRUCTURE TO SUPPORT THE SELF-SUSTAINING ECONOMY THAT WILL BRING US TO A RESPECTABLE LEVEL WITHIN THE AMERICAN POLITICAL FAMILY. THIS IS LONG OVERDUE AND SHOULD HAVE BEEN IMPLEMENTED DURING THE 35 YEARS OF THE UNITED STATES TRUSTEESHIP ADMINISTRATION OF THE MICRONESIAN ISLANDS.

THE COVENANT, WHICH DEFINES THE UNIQUE RELATIONSHIP AND MUTUAL BENEFITS BETWEEN THE COMMONWEALTH AND THE UNITED STATES, ENSURES THAT FINANCIAL SUPPORT SHALL BE PROVIDED TO DEVELOP THE ESSENTIAL INFRASTRUCTURE PROJECTS THAT ARE NEEDED TO ACHIEVE A PROGRESSIVELY HIGHER STANDARD OF LIVING FOR ITS PEOPLE AS PART OF THE AMERICAN COMMUNITY, AND TO DEVELOP THE ECONOMIC RESOURCES NEEDED TO MEET THE FINANCIAL RESPONSIBILITIES OF LOCAL SELF-GOVERNMENT. WE ARE NOW IN THE FIFTH OF THE SEVEN-YEAR PERIOD OF PLANNED DEVELOPMENT, AND WE STILL HAVE A VERY LONG WAY TO GO. AS WE MOVE TOWARD THE FULL STATUS AS A U. S. COMMONWEALTH, WE URGE THAT THESE DEFICIENCIES BE CORRECTED WITHOUT ANY FURTHER DELAY.

WE ARE ALSO SEEKING ADDITIONAL APPROPRIATIONS TO ACCELERATE INFRASTRUCTURE DEVELOPMENT OF ESSENTIAL HEALTH CARE AND OF LOCAL ENERGY RESOURCES, AND TO OFFSET THE EVER RISING COSTS OF MEDICAL REFERRAL TO GUAM AND HONOLULU, OF IMPORTED PETROLEUM PRODUCTS FOR OUR POWER GENERATION, AND OF EXTENSIVE REHABILITATION OF TRUST TERRITORY PROPERTIES THAT ARE BEING TRANSFERRED TO CNMI.

WE WOULD NOW LIKE TO HIGHLIGHT THE INFRASTRUCTURE DEVELOPMENT PROGRAMS THE COMMONWEALTH WOULD LIKE TO IMPLE

MENT DURING THE NEXT FEW YEARS IN ORDER TO SUPPORT THE SELF-SUSTAINING ECONOMY THAT IS OUR ULTIMATE AIM:

COMMONWEALTH HEALTH CENTER (ATTACHMENT #1)

THE CNMI IS NOW SERVED BY DR. TORRES MEMORIAL HOSPITAL CONSTRUCTED IN 1962 AS A U.S. NAVY FIELD HOSPITAL. SERVING A PRESENT POPULATION OF 17,000 PROJECTED TO INCREASE TO 20,000 BY 1985, THE FACILITY IS WOEFULLY INADEQUATE AS FAR AS MEETING THE PEOPLE'S MEDICAL NEEDS, PARTICULARLY OUT-PATIENT NEEDS, AND IN DETERIORATING CONDITION. THE HOSPITAL IS THE ONLY SOURCE OF HEALTHCARE, EITHER DIAGNOSTIC OR THERAPEUTIC, IN SAIPAN. PRIVATE SECTOR PRACTICE DOES NOT EXIST.

THE U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES HAS CONDUCTED SEVERAL SURVEYS OF THE FACILITIES STARTING IN 1976. CNMI HAS SPENT OVER TWO MILLION DOLLARS TRYING TO REMEDY CITED CODE VIOLATIONS AND PROBLEMS, BUT THE CITATIONS GROW IN NUMBER AND IN SERIOUSNESS. AT LEAST FOUR COMPREHENSIVE STUDIES BY CONSULTANTS CONCLUDE THAT A NEW MODERN HEALTH FACILITY SHOULD BE CONSTRUCTED. THEY DISCOURAGE FURTHER EXPENDITURE ON A BUILDING THAT WAS POORLY CONCEIVED, INAPPROPRIATE FOR ITS PRESENT MISSION, AND BUILT OF MATERIALS THAT DO NOT WITHSTAND THE SEVERE CLIMATE AND ATMOSPHERE OF SAIPAN.

CNMI PLANS TO CONSTRUCT A COMPLETELY NEW FACILITY HOUSING IN-PATIENT NURSING, ANCILLARY, OUT-PATIENT CLINICS, PUBLIC HEALTH OFFICES AND CLINICS, DENTAL CLINICS, AND SUPPORT AND SUPPLY FACILITIES. THE TOTAL PROJECT COST IS ESTIMATED AT $29.8 MILLION. THE COMMONWEALTH HEALTH CENTER WILL BE BUILT ON A 16 ACRE SITE LOCATED NEAR THE GARAPAN POPULATION CENTER. IT WILL BE SIZED TO MEET THE POPULATION NEEDS AS PROJECTED FOR 1985 AND IS

DESIGNED TO BE EXPANDED AND MODIFIED EASILY FOR FUTURE GROWTH AND CHANGE.

SCHEMATIC PLANS WERE COMPLETED AND APPROVED IN MARCH 1982. THE PROJECT IS ON SCHEDULE AND WITHIN CONGRESSIONALLY AUTHORIZED BUDGET (WITHIN THE AMOUNT AUTHORIZED WHEN INFLATION FACTORS ARE APPLIED). CONSTRUCTION CAN BEGIN AS EARLY AS FEBRUARY 1983 AND CAN BE COMPLETED AS EARLY AS AUGUST 1984, DEPENDING ON FUNDING SCHEDULE. BY BUILDING THE HEALTH CENTER QUICKLY AND EFFICIENTLY WE CAN SAVE OVER $2.0 MILLION IN INFLATIONARY COST.

WATER SYSTEM (ATTACHMENT #2)

TO SOLVE A CRITICAL WATER SHORTAGE PROBLEM THAT HAS EXISTED FOR THE PAST 15 YEARS, CNMI WAS FORCED TO IMPLEMENT AN EMERGENCY WELL DRILLING PROGRAM IN FEBRUARY 1982 AT THE EXPENSE OF OTHER IMPORTANT PROGRAMS. FUNDS AMOUNTING TO OVER $1.1 MILLION WERE BORROWED FROM THE CAPITAL IMPROVEMENT PROGRAM FOR THIS EMERGENCY WATER PROGRAM TO DRILL 15 NEW WELLS AND CONNECT THEM TO THE EXISTING SYSTEM. TO IMPROVE THE QUALITY OF THE HIGHLY MINERALIZED GROUNDWATER, IT IS ALSO NECESSARY TO CATCH THE RAINWATER RUNOFF FROM THE AIRPORT, TREAT IT, AND THEN MIX IT WITH THE GROUNDWATER.

THE NEW WELL DRILLING PROGRAM TOGETHER WITH THE POWER AND WATER LINES FOR CONNECTION TO THE EXISTING SYSTEM WILL COST $1.5 MILLION, AND THE AIRPORT RUNOFF SYSTEM ANOTHER $2.0 MILLION. HOWEVER, ONLY $0.5 MILLION IS REQUESTED FOR FY-83 TO START THE AIRPORT WORK, WHICH WILL BE COMPLETED IN FY-84. WE ALSO HAVE TO REFUND THE MONEY BORROWED FROM CIP SO THAT OTHER PROGRAMS, WHICH ARE EQUALLY IMPORTANT, CAN BE IMPLEMENTED WITHOUT FURTHER DELAY.

AIRPORT WATER CATCHMENT (ATTACHMENT #2A)

THE RAW WATER FROM THE AQUIFER IN SAIPAN IS HIGHLY MINERALIZED BECAUSE OF THE LIMESTONE SUBSOIL AND THE WATER TABLE BEING ONLY ONE TO TWO FEET ABOVE MEAN SEA LEVEL. THE COST OF COMPLETE TREATMENT OF THIS RAW WATER IS PROHIBITIVE IN BOTH CAPITAL INVESTMENT AND OPERATION. A MORE REALISTIC SOLUTION WILL BE TO CATCH THE RAINWATER RUN-OFF FROM THE AIRSTRIPS INTO HOLDING RESERVOIRS, TREAT IT, AND THEN USE IT TO REDUCE BOTH THE HARDNESS AND SALINITY OF THE GROUNDWATER.

WASTEWATER SYSTEM (ATTACHMENT #3)

TO PROVIDE BASIC SANITARY SERVICES FOR THE DENSELY POPULATED DISTRICTS, SOME OF THEM IN FLOOD PRONE AREAS, IT IS NECESSARY TO COMPLEMENT THE WORK BEING DONE UNDER THE U. S. EPA CONSTRUCTION GRANT PROGRAM WITH THE CONSTRUCTION OF COLLECTION SEWERS AND LATERALS IN CERTAIN DISTRICTS OF SAIPAN.

FOR FY-83, WE WILL DEAL WITH THE SAIPAN VILLAGES OF CHALAN KANOA, SOUTH GARAPAN, SAN VICENTE, TANAPAG AND SAN ROQUE. THE COST OF PROVIDING COLLECTION SEWERS AND LATERALS IN THESE AREAS IS $1.5 MILLION. FOR FY-84 THROUGH FY-86, WE WILL NEED $0.5 MILLION ANNUALLY TO EXPAND THE COLLECTION SEWER SYSTEM AS NEW MAIN AND SECONDARY LINES ARE CONSTRUCTED WITH U. S. EPA CONSTRUCTION GRANT FUNDS.

POWER PLANT EXPANSION (ATTACHMENT #4)

IT IS NECESSARY TO PROCURE A FOURTH 7.2 MEGAWATT GENERATOR FOR INSTALLATION AT THE NEWLY COMPLETED SAIPAN PERMANENT POWER STATION. THE POWER PLANT WAS CONSTRUCTED

WITH A $5.0 MILLION APPROPRIATION UNDER A $12.0 MILLION CONGRESSIONAL AUTHORIZATION MADE IN FY-79 (P.L. 95-348). THE PLANT WAS ORIGINALLY PLANNED TO MEET THE IMMEDIATE NEEDS OF SAIPAN AND WAS DESIGNED TO ACCOMMODATE THE ADDITIONAL GENERATOR WE ARE NOW REQUESTING. THE MAINTENANCE SCHEDULE OF THE NEW SYSTEM WILL REQUIRE SHUTDOWN OF ONE GENERATOR THUS REDUCING THE GENERATING CAPABILITY BELOW DEMAND, FORCING RELIANCE ON AN EXPENSIVE AND ANTIQUATED BACKUP SYSTEM. THIS SITUATION WILL CONTINUE AS LONG AS WE DO NOT HAVE THE FOURTH GENERATING UNIT.

FUNDING OF THIS REQUEST WOULD ENABLE THE CNMI TO PROCURE AND INSTALL ONE NEEDED 7.2 MEGAWATT POWER GENERATOR UNIT. BECAUSE THE PROCUREMENT AND INSTALLATION PERIOD EXCEEDS ONE YEAR, THE ACTUAL INSTALLATION WOULD HAVE TO OCCUR AFTER THE MAINTENANCE CYCLE HAD CAUSED A REDUCTION IN POWER CAPABILITY BELOW THE POWER DEMAND. THUS IN ORDER TO AVOID EXPOSING SAIPAN TO INADEQUATE ELECTRICAL SUPPLY FOR A PROLONGED TIME, IT IS CRITICAL THAT THE PROCUREMENT PROCESS BE INSTITUTED IMMEDIATELY.

WITH A $5.0 MILLION DOLLAR APPROPRIATION, THE CNMI COULD PROCURE AND INSTALL ONE 7.2 MEGAWATT POWER GENERATOR WITHIN 14 MONTHS FROM DATE OF ORDER.

THIS WOULD BE A ONE-TIME REQUIREMENT WHICH WOULD COMPLETE THE SAIPAN POWER PLANT AND THUS ACCOMMODATE PEAK DEMAND UNTIL 1984 AND AVERAGE DAYTIME DEMAND UNTIL 1986 WITHOUT RESORTING TO THE USE OF THE BACKUP GENERATING SYSTEM.

POWER DISTRIBUTION SYSTEM REPLACEMENT (ATTACHMENT #4A)

SAIPAN NOW HAS A NEW POWER PLANT HAVING A CAPACITY OF 21.6 MEGAWATTS. NEW 600 KW GENERATORS FOR TINIAN AND ROTA HAVE ALSO BEEN INSTALLED. HOWEVER, THE DISTRIBUTION LINES ARE VERY OLD. TO PROVIDE RELIABLE POWER, THEY NEED TO BE REPLACED.

THE CONSTRUCTION OF A HARDENED POWER DISTRIBUTION SYSTEM ON SAIPAN HAS BEEN PLANNED FOR SEVERAL YEARS NOW, BUT HAS NOT BEEN CARRIED OUT DUE TO THE UNAVAILABILITY OF FUNDS. CONSTRUCTION OF THE SYSTEM MUST BE UNDERTAKEN TO ENSURE AVAILABILITY OF ELECTRICAL POWER TO MEET THE RAPIDLY GROWING DEMAND FOR POWER ON SAIPAN, THE POPULATION CENTER AS WELL AS THE INDUSTRIAL AND ECONOMIC CENTER OF THE COMMONWEALTH. SUCH CONSTRUCTION WILL ALLEVIATE THE RECURRING ELECTICAL OUTAGES ASSOCIATED WITH THE OPERATION AND MAINTENANCE OF THE PRESENT POWER DISTRIBUTION

IF THE REMAINING $2 MILLION OF THE $12 MILLION AUTHORIZED IN PL 95-348 (AFTER DEDUCTING $5.0 MILLION FOR THE POWER PLANT AND ANOTHER $5.0 MILLION FOR THE FOURTH GENERATOR) IS APROPRIATED FOR DISTRIBUTION IMPROVEMENTS, A NEW CONGRESSIONAL AUTHORIZATION OF $1.0 MILLION WILL BE NECESSARY TO COVER THE TOTAL COSTS OF $3.0 MILLION.

FUEL & ENERGY COSTS (ATTACHMENT #5)

CNMI IS PRESENTLY SPENDING $7.7 MILLION ANNUALLY ON IMPORTED OIL AND OIL PRODUCTS TO GENERATE ELECTRICITY, COMPARED WITH $2.0 MILLION IN 1978. THE COST ADJUSTED FOR INFLATION SHOULD ONLY BE $3.0 MILLION. SO WE ARE ACTUALLY PAYING AN EXCESS, WITHOUT CONSIDERING THE ESCALATED AMOUNT

DUE TO GRADUAL EXPANDED GENERATION, OF COST OVER INFLATION ADJUSTMENTS AMOUNTING TO $4.7 MILLION FOR FY-82. WE NEED ASSISTANCE IN MEETING THE BIG INCREASE IN FUEL COST, AND TO DEVELOP ALTERNATIVE ENERGY SOURCES THAT WILL EVENTUALLY ELIMINATE OUR DEPENDENCE ON FOSSIL FUEL POWER PLANTS.

TO REDUCE OUR DEPENDENCE OR IMPORTED FUEL, WE ARE USING GRANTS FROM THE DEPARTMENT OF ENERGY TO BUILD RENEWABLE ENERGY DEMONSTRATION PROJECTS SUCH AS SOLAR WATER HEATERS, SOLAR STILLS, PHOTOVOLTAIC PANELS, WIND GENERATORS, BIOMASS CULTURE AND PLANTATION, ETHANOL STILLS, CHARCOAL KILNS, AND BIOGAS DIGESTERS. THESE ARE SUITABLE FOR FARMS AND ISOLATED VILLAGES, BUT FOR THE URBANIZED, TOURIST AND COMMERCIAL AREAS, WE WOULD LIKE TO DEVELOP OUR OCEAN THERMAL ENERGY CONVERSION FOR OTEC, GROW BIOMASS FOR WOOD BURNING GENERATORS, AND CONVERT SOLAR ENERGY DIRECTLY INTO ELECTRICITY BY MEANS OF PHOTOVOLTAIC CELLS.

CNMI RESPONDED TO THE DEPARTMENT OF ENERGY PROGRAM OPPORTUNITY NOTICE FOR AN OTEC PLANT, AND WAS RATED TECHNICALLY HIGHER THAN THE ONE AWARDED THE SECOND GRANT, BUT BECAUSE CNMI IS IN A TYPHOON PRONE AREA, EVEN THOUGH THE DESIGN HAS TAKEN THIS PROBLEM INTO CONSIDERATION THE CNMI WAS NOT SELECTED. WE FEEL THAT THE NEED TO CURE THE SMALL U. S. TERRITORIES OF THEIR DEPENDENCE ON IMPORTED OIL AND TO DEVELOP THE INDIGENOUS SOURCE OF ENERGY IS A VERY URGENT ONE. SINCE A LOT OF WORK HAS BEEN DONE ON THE CNMI OTEC PROPOSAL, IT IS IMPORTANT THAT WE PURSUE THIS PROJECT WITHOUT ANY UNDUE DELAY. THE COST OF THE CONCEPTUAL DESIGN IS $1.3 MILLION.

ROTA HAS VAST AREAS OF LAND SUITABLE FOR FAST-GROWING TREES SUCH AS HALE KOA ON A FOUR-YEAR CYCLE TO SUPPLY BIOMASS

FOR WOOD BURNING GENERATORS THAT CAN MAKE ROTA SELF-SUFFICIENT IN ELECTRICITY GENERATION. 55 ACRES OF TREES WILL GENERATE 0.6 MEGAWATT, WHICH IS THE PRESENT CAPACITY OF THE ROTA POWER PLANT.

TINIAN HAS A NEW AIRPORT THAT IS SUPPLIED WITH ELECTRICITY BY A DIESEL GENERATOR. ITS NEEDS CAN BE MET WITH A PHOTOVOLTAIC STAND-ALONE PLANT AS RECOMMENDED BY N.A.S.A. AND U.S. AID, WHICH ARE CURRENTLY BUILDING SUCH PLANTS IN FOREIGN COUNTRIES SUCH AS ECUADOR, GUYANA, KENYA AND ZIMBABWE. THE COST OF A STAND-ALONE PHOTOVOLTAIC POWER SYSTEM OF 40 KW, CAPABLE TO MEET THE BASE LOAD OF TINIAN AIRPORT, IS $0.5 MILLION. IT IS A SELF-CONTAINED UNIT CONSISTING OF ARRAYS OF SOLAR CELLS WITH POWER CONDITIONING AND CONTROL, BATTERY STORAGE, AND INSTRUMENTATION.

HARBOR FACILITIES (ATTACHMENT #6)

SAIPAN COMMERCIAL PORT REQUIRES IMMEDIATE IMPROVEMENTS TO HANDLE CURRENT CARGO VESSELS WHICH NOW BYPASS THE PORT DUE TO INSUFFICIENT HARBOR CAPACITIES. DEFICIENCIES EXIST IN NAVIGATIONAL REQUIREMENTS OF THE CHANNEL AND TURNING BASIN AND THE ONSHORE CARGO HANDLING FACILITIES. COMMONWEALTH COVENANT MONEY IN THE AMOUNT OF $291,400 HAS BEEN OBLIGATED TO DATE FOR THE PREPARATION OF A COMPREHENSIVE DEVELOPMENT PLAN AND A DETAILED A & E REPORT. AS A RESULT, A DRAFT MASTER PLAN REPORT HAS BEEN PREPARED AND IS UNDERGOING DISCUSSION AMONG THE PORT AUTHORITY AND THE PORT USERS PRIOR TO FINALIZATION. ALSO, IN MAY, 1981, THE U. S. ARMY CORPS OF ENGINEERS COMPLETED ITS PRELIMINARY PORT AND HARBOR STUDY COMMISSIONED BY DEPARTMENT OF INTERIOR, AS MANDATED BY CONGRESS. THE INFORMATION IN

THESE TWO STUDIES CONFIRM THE NEED FOR HARBOR DEVELOPMENT JUSTIFY THE FUNDING REQUIRED TO IMPROVE SAIPAN HARBOR FACILITIES IN THREE PHASES. THIS FIGURE IS $31,805,000 BASED ON OUR REVIEW OF THE TWO PLANNING DOCUMENTS.

NO AUTHORIZATION FOR THE SAIPAN HARBOR IMPROVEMENTS CURRENTLY EXISTS. PUBLIC LAW 96-597 MANDATED THE SECRETARY OF INTERIOR TO SUBMIT TO CONGRESS A REPORT ON THE EXISTING DOCK HARBOR FACILITIES, ANY NEED FOR REPAIR, IMPROVEMENT, OR REPLACEMENT, THE COST AND THE AMOUNT OF FEDERAL ASSISTANCE NECESSARY.

THE REPORT STATES THAT THE PORTS AND HARBORS WITHIN THE CNMI REQUIRE SIGNIFICANT IMPROVEMENTS IN ORDER TO PRESERVE EXISTING FACILITIES; TO MEET CURRENT CARGO HANDLING DEMANDS; AND TO MEET THE DEMANDS OF NEAR-FUTURE GROWTH. ADDITIONALLY, THE REPORT FOUND THAT EXPANSION APPEARS TO BE JUSTIFIED TO MEET THE DEMANDS OF FUTURE GROWTH.

ALL REQUESTED FUNDING FOR SAIPAN PORT AND HARBOR IMPROVEMENTS WILL BE EXPENDED IN THREE PHASES TO INSURE THAT CONSTRUCTION ACTIVITY DOES NOT INTEREFERE WITH NORMAL WATERBORNE COMMERCE AND THAT DEVELOPMENT EXPENDITURES ARE FULLY JUSTIFIED.

PHASE I INVOLVES EMERGENCY IMPROVEMENT TO THE EXISTING CHARLIE DOCK AND CONSTRUCTION OF A NEW DOCK FACILITY AT ADJACENT BAKER WHARF. THIS ACTION WILL MEET THE INTERMEDIATE TERM SHIPPING DEMAND. PHASE II, INVOLVES MAJOR IMPROVEMENTS OF CHARLIE DOCK TO MEET LONG TERM SHIPPING GROWTH AND PROVIDES FACILITIES TO ACCOMMODATE LARGER VESSELS AND INCREASED CONTAINER TRAFFIC. PHASE III INVOLVES EXPANSION OF PHASE I AND II

FACILITIES TO MEET LONGER TERM REQUIREMENTS. PHASE III FUNDING IS NOT REQUIRED UNTIL THE LATE 1980'S.

HIGHWAY PROGRAM (ATTACHMENT #7)

WE HAVE COMPLETED TWO SECTIONS (1.8 MILES) OF BEACH ROAD THE MAJOR ROAD OF SAIPAN WITH OUR FEDERAL HIGHWAY RECONSTRUCTION PROGRAM. WITH THE FY-82 FUNDS WE HAVE COMMENCED ANOTHER SECTION OF BEACH ROAD IN GARAPAN. THE CURRENT LEVEL OF FEDERAL FUNDING IS $245,000, DOWN FROM $532,500 AS IT HAS BEEN FOR THE TWO PREVIOUS YEARS. IN ACCORDANCE WITH THE FEDERAL-AID HIGHWAY ACT OF 1978, WE HAVE AN APPROPRIATION OF $1.0M OF WHICH ONLY A TOTAL OF $245,000 HAS BEEN MADE AVAILABLE FOR CNMI OBLIGATION IN FY-83.

THE GOAL WE ARE ATTEMPTING TO REACH THROUGH OUR HIGHWAY PROGRAM IS TO UPGRADE AND MAINTAIN THE ROAD SYSTEM ORIGINALLY CONSTRUCTED DURING THE JAPANESE MANDATE. THE ROAD SYSTEM IMPROVEMENT IS CRITICAL TO SAFETY, ACCESS, AND ECONOMIC DEVELOPMENT. IN SAIPAN, A WELL DEVELOPED ROAD NETWORK WAS ESTABLISHED PRIOR TO WORLD WAR II AND FURTHER IMPROVED BY THE U. S. NAVAL ADMINISTRATION JUST AFTER THAT WAR. SINCE THEN VERY LITTLE WAS DONE BY THE TRUST TERRITORY GOVERNMENT TO MAINTAIN THESE ROADS, AND MOST OF THEM WERE IN A DEPLORABLE STATE OF DISREPAIR WHEN THE NEW COMMONWEALTH WAS CREATED. THEY ARE NO LONGER ADEQUATE FOR THE PRESENT TRAFFIC, WITH OVER 6,000 VEHICLES TODAY COMPARED WITH 2,400 IN 1971. THEY HAVE BECOME AN IMPEDIMENT TO OUR ECONOMIC DEVELOPMENT, IN PARTICULAR TOURISM, AND THERE ARE INCREASING NUMBERS OF ACCIDENTS ATTRIBUTED TO THE POOR CONDITION OF THE ROAD SYSTEM.

THE PHYSICAL DEVELOPMENT MASTER PLAN OF 1978 IDENTIFIED 87 MILES OF HIGHWAYS ELIGIBLE FOR FEDERAL-AID AT AN ESTIMATED COST OF $48,000,000 (1978 DOLLARS). ASSUMING THAT THE CURRENT LEVEL OF APPROPRIATION REMAINS AT $245,000, IT WILL TAKE ABOUT 196 YEARS TO COMPLETE THE FEDERAL ROAD PROGRAM. EVEN IF THE FULL AUTHORIZED AMOUNT OF $1,000,000 IS APPROPRIATED, THE PERIOD IS STILL TOO LONG.

WITH AN APPROPRIATION OF $4,000,000 PER YEAR, WE WOULD BE ABLE TO RECONSTRUCT EIGHT MILES OF HIGHWAY A YEAR. WE FEEL THAT THE WHOLE PROGRAM SHOULD BE PHASED OVER A PERIOD OF 11 YEARS.

AMERICAN MEMORIAL PARK (ATTACHMENT #8)

PUBLIC LAW 95-348 AUTHORIZES AN APPROPRIATION NOT TO EXCEED $3.0 MILLION FOR THE DEVEOPMENT OF THE AMERICAN MEMORIAL PARK. THE PARK ENCOMPASSES 133 ACRES OF PRIME COASTAL AREA IMMEDIATELY ADJACENT TO THE MAJOR HOTEL DISTRICT AND THE MAJOR HARBOR FACILITIES ON SAIPAN. IT IS A MEMORIAL FOR THE AMERICAN SOLDIERS AND CNMI CIVILIANS WHO HAD GIVEN UP THEIR LIVES IN THE NORTHERN MARIANA ISLANDS DURING WORLD WAR II. IN ADDITION, THE PARK WOULD SERVE AS A MAJOR ATTRACTION TO TOURISTS AND RESIDENTS FOR RECREATION AND SPORT ACTIVITIES. THE NATIONAL PARK SERVICE HAS BEEN AUTHORIZED TO PLAN, DEVELOP AND ADMINISTER THE PARK.

THE PARK, AS PROPOSED IN THE PHYSICAL DEVELOPMENT MASTER PLAN FOR SAIPAN, PROVIDES FOR A PHASED DEVELOPMENT. THE FIRST PHASE IS ESTIMATED TO COST $3.0 MILLION. HOWEVER, THE TOTAL COST FOR THE COMPLETION OF THE PARK AS PREPARED IN THE PLANS IS ESTIMATED TO BE $16.0 MILLION. THE PARK IS TO INCLUDE A HISTORY

CENTER, A NATURE CENTER, BOAT RAMPS, ATHLETIC FIELDS, SWIMMING POOL, AMPHITHEATER, AND PICNIC FACILITIES. THUS THE ENTIRE PARK AREA WILL FUNCTION AS A LIVING MEMORIAL.

ALTHOUGH IT IS ESTIMATED THAT THE ENTIRE PARK DEVELOPMENT PLAN WILL COST $16 MILLION DOLLARS, DEVELOPMENT WILL BE PHASED. THE APPROPRIATION OF THE WHOLE AMOUNT WOULD HELP THE COMMONWEALTH REALIZE THE PROMISE MADE BY CONGRESS WHEN IT RATIFIED THE COVENANT. THE PROJECT REPRESENTS AN EXECUTION OF A FORMAL PART OF OUR RELATIONSHIP TO THE UNITED STATES. ADDITIONAL FUNDS FOR FUTURE PHASES ARE NOT REQUESTED AT THIS TIME.

MEDICAL REFERRAL (ATTACHMENT #9)

CNMI STUDIES HAVE FOUND THE LOCAL PROVISION OF CERTAIN MEDICAL SERVICES AND PROCUREMENT, OPERATION AND MAINTENANCE OF SPECIALIZED EQUIPMENT IS NOT COST EFFECTIVE IN COMPARISON WITH THE CNMI MEDICAL REFERRAL PROGRAM. FUNDING WOULD IMPROVE CNMI CAPABILITY OF TREATING PATIENTS IN THE CNMI BY ELIMINATING CNMI EXPENSE FOR THE HIGH MEDICAL AND TRANSPORTATION COST INVOLVED SENDING PATIENTS TO MEDICAL FACILITIES IN GUAM AND HONOLULU. PRESENT CIRCUMSTANCES REQUIRE CERTAIN TYPES OF MEDICAL CASES TO BE FLOWN TO GUAM AND HONOLULU FOR TREATMENT. AFTER OPERATION OF THE NEW HEALTH CENTER BEGINS, THE NUMBER OF REFERRALS WILL BE REDUCED.

FUNDING IS REQUIRED FOR MEDICAL SERVICE (997,700); TRANSPORTATION ($441,500); PERSONNEL ($31,600); COMMUNICATION ($10,200); SUPPLIES AND MATERIALS ($14,000) AND OTHER RELATED EXPENSES. A MINIMUM FUTURE ANNUAL AUTHORIZATION AND APPROPRIATION IN 1983 DOLLARS OF $1.5 IS ANTICIPATED UNTIL NEW

HEALTH CENTER IS COMPLETED THEREBY REDUCING THE LEVEL OF MEDICAL REFERRALS.

TTPI PROPERTIES (ATTACHMENT #10)

NUMEROUS TRUST TERRITORY GOVERNMENT RESIDENCES, OFFICE BUILDINGS AND OTHER FACILITIES LOCATED ON SAIPAN ARE TO BECOME THE PROPERTY OF THE CNMI GOVERNMENT, IN INCREMENTS, WITH THE REMAINDER TO BE TURNED OVER TO THE CNMI WHEN TTPI GOVERNMENT OPERATIONS ON SAIPAN CEASE. FACILITIES ARE IN DEPLORABLE CONDITION DUE TO A LONG-TERM LACK OF MAINTENANCE AND REPAIRS AND EXTENSIVE REHABILITATION OF THE RESOURCES FACILITIES IS REQUIRED. ONCE RENOVATED, THE FACILITIES WILL BECOME VALUABLE RESOURCES AIDING OUR SOCIAL AND ECONOMIC DEVELOPMENT. WE HAVE IDENTIFIED 30 RESIDENTIAL STRUCTURES, 9 APARTMENT UNITS AND 12 ADMINISTRATIVE FACILITIES BELONGING TO THE TRUST TERRITORY GOVERNMENT, HAVING A REHABILITATION COST OF $1.29 MILLION, WHICH WILL SOON BECOME CNMI PROPERTY.

COMMOMWEALTH HEALTH CENTER

THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS HAS SENT REPRESENTATIVES TO APPEAR BEFORE THIS COMMITTEE SEVERAL TIMES IN THE FOUR YEARS TO DISCUSS OUR NEED FOR EXPANDED AND IMPROVED HEALTH SERVICES AND FACILITIES. WE HAVE DEMONSTRATED THIS NEED QUITE ADEQUATELY, I BELIEVE, ILLUSTRATING HOW PRESENT SERVICES ARE INADEQUATE TO SERVE OUR GROWING POPULATION TO THE POINT THAT THE GENERAL HEALTH OF THE PEOPLE STILL LAGS BEHIND THAT OF UNITED STATES CITIZENS. WE HAVE ILLUSTRATED THE HIGH INFANT MORTALITY RATE, THE HIGH INCIDENCE OF DISEASE AMONG ALL AGES, AND THE SHORT LIFE EXPECTANCY OF OUR PEOPLE. YOU ARE WELL AWARE OF OUR HIGH AND WASTEFUL OFF-ISLAND MEDICAL REFERRAL EXPENDITURE. MANY OF YOU HAVE VISITED OUR PRESENT

HOSPITAL, AND HAVE SEEN FIRST-HAND THE DEPLORABLE CONDITIONS. I THINK YOU UNDERSTAND WHY WE HAVE SUCH PROBLEMS WITH HEALTH.

THE DEPARTMENT OF HEALTH AND HUMAN SERVICES HAS BEEN MOST UNDERSTANDING AND HELPFUL. DURING SURVEYS OF THE HOSPITAL, AS FAR BACK AS 1976, HEALTH AND HUMAN SERVICE OFFICIALS IDENTIFIED THE PROBLEMS WITH OUR FACILITIES. DESPITE THE FACT THAT WE SPENT SEVERAL MILLION DOLLARS TRYING TO SOLVE THOSE PROBLEMS, WE HAVE MORE PROBLEMS NOW THAN WE DID SIX YEARS AGO.

MANY GOVERNMENT OFFICIALS, AT LEAST FOUR CONSULTING FIRMS, AND A VARIETY OF OTHER EXPERTS TELL US IT IS FUTILE TO KEEP POURING MONEY INTO FACILITIES THAT WERE POORLY CONCEIVED AND BUILT OF INAPPROPRIATE MATERIALS. THEY ADVISE US THAT IF WE BUILD A NEW MODERN HEALTH CENTER WE CAN PROVIDE SERVICES THAT OUR PEOPLE DESERVE, AND WE CAN EXPAND AND MODIFY THOSE SERVICES AS WE GROW AND CHANGE.

IN 1980 CONGRESS PASSED PL 96-205 WHICH AUTHORIZED $24.4 MILLION FOR "HEALTH SERVICES" IN CNMI. OUR NEED WAS WELL RECOGNIZED AND THE MEANS OF MEETING THAT NEED WAS PUT INTO LAW.

ABOUT EIGHTEEN MONTHS AGO, WE BEGAN SERIOUS PLANNING TOWARD A PROJECT TO DESIGN AND CONSTRUCT A NEW COMMONWEALTH HEALTH CENTER AND A PROGRAM OF EXPANDED AND IMPROVED HEALTH SERVICES. WE ENGAGED ONE OF THE FOREMOST HEALTH CONSULTING FIRMS IN THE UNITED STATES TO CALCULATE OUR EXACT FACILITY NEEDS. WE HIRED A FULL-TIME HOSPITAL PROJECT DIRECTOR, AND WE SET INTO MOTION THE COMPLEX PROCESSES OF SELECTING THE BEST SITE AND THE MOST QUALIFIED ARCHITECTS AND

ENGINEERS. ALL OF THIS WAS ACCOMPLISHED WITH THE HELP OF HHS, REGION IX.

WE NOW HAVE THE BEST SITE IN SAIPAN AND OUR EMINENTLY QUALIFIED ARCHITECTS AND ENGINEERS ARE AT WORK DESIGNING A HOSPITAL AND PUBLIC AND DENTAL HEALTH BUILDING TO BE BUILT ON IT.

THANKS TO A CONGRESSIONAL APPROPRIATION OF $1.296 MILLION IN FY-1982 WE WERE ABLE TO NEGOTIATE A MOST ADVANTAGEOUS A/E CONTRACT. OUR ARCHITECTS REX ALLEN-DREVER-LECHOWSKI OF SAN FRANCISCO ARE SPECIALISTS IN HOSITAL DESIGN. THEY HAVE BEEN WORKING CLOSELY WITH OUR PRESENT HOSPITAL STAFF AND OFFICIALS OF HHS REGION IX. THEY ARE WITHIN BUDGET AND ON SCHEDULE WITH THE DESIGN OF A FACILITY THAT APPEARS TO BE EXACTLY WHAT WE NEED. IN MARCH WE APPROVED SCHEMATIC PLANS AND THE A/E'S ARE CONTINUING IN DESIGN DEVELOPMENT.

NOW THAT WE HAVE PLANS OF THE WHAT WE ARE GOING TO BUILD, WE CAN BEGIN TO ESTIMATE THE COST. IT APPEARS THE TOTAL PROJECT COST IS WELL WITHIN THE FUNDS APPROPRIATED WHEN INFLATION FACTORS ARE APPLIED AS SET FORTH IN PL 96-205. WE HAVE ANALYZED THOSE COSTS SEVERAL DIFFERENT WAYS. I WANT TO DISCUSS THE ANALYSIS WITH YOU AT THIS TIME.

FIRST, IF WE COMPLETE THE DESIGN, AND APPROACH CONSTRUCTION IN THE MOST EFFICIENT WAY WHICH WE IDENTIFY AS ALTERNATE A, WE CAN START CONSTRUCTION ABOUT 1 FEBRUARY 1983 AND MOVE-IN ABOUT 1 AUGUST 1984. THE TOTAL COST FOR THIS MOST OPTIMUM PROJECT IS ESTIMATED AT $29,819,000. IN ORDER TO PROCEED THIS EFFICIENTLY WE NEED ALL OF THE FUNDS IN ONE FISCAL YEAR APPROPRIATION FY-1983.

IF ALL THE FUNDS ARE NOT AVAILABLE IN FY-1983, THEN WE MUST RESORT TO A PROCESS OF PHASED CONTRACTS THAT IS LESS THAN IDEAL AND WHICH GETS DIFFICULT - BUT POSSIBLE - TO MANAGE.

OUR SECOND APPROACH, ALTERNATE B, SHOWS HOW WE CAN DO AN EFFICIENT JOB, IF WE HAVE $19,902,000 IN THE FIRST YEAR - FY-1983 - AND THE BALANCE OF $9,963,000 IN FY-1984. WE WOULD STILL START AND FINISH CONSTRUCTION ON THE SAME DATES. THE TOTAL COST, $29,865,000 IS ONLY SLIGHTLY MORE THAN FOR ALTERNATE A, DUE TO INFLATION DURING THE PHASED CONSTRUCTION.

OUR THIRD ALTERNATIVE, IDENTIFIED AS ALTERNATE C. RECOGNIZES THE APPROPRIATION FIGURES RECOMMENDED BY THE HOUSE SUBCOMMITTEE ON INSULAR AFFAIRS. IF WE ARE TO RECEIVE UP TO A TOTAL OF $32.126 MILLION OVER A THREE-YEAR PERIOD, AND IF $8.9 MILLION IS TO BE MADE AVAILABLE IN FY-1983 WE CAN PROCEED WITH A COMPLICATED FOUR PHASE CONSTRUCTION PROGRAM. OUR NEW HEALTH CENTER WILL NOT BE READY UNTIL 1 JULY 1985 AND WE WILL SUFFER MORE THAN $1.0 MILLION IN PROLONGED INFLATION. THE TOTAL AMOUNT IS ADEQUATE HOWEVER. OUR ANALYSIS SHOWS A TOTAL PROJECT COST OF $31,240 MILLION.

FINALLY, ALTERNATE D SHOWS THE RESULTS OF AN INITIAL APPROPRIATION OF $4.0 MILLION AS INCLUDED IN THE ADMINISTRATION'S BUDGET FOR FY-1983. NO CONSTRUCTION PROJECT CAN AFFORD A LAPSE IN ACTIVITY. THAT WOULD OCCUR IF FIRST YEAR FUNDS ARE NOT SUFFICIENT TO KEEP CONSTRUCTION GOING UNTIL FURTHER FUNDS ARE AVAILABLE EARLY IN CALENDAR YEAR 1984. CONSEQUENTLY WE WOULD HAVE TO WAIT UNTIL 1 AUGUST 1983 TO BEGIN CONSTRUCTION AND THE TOTAL TIME TO BUILD THE FACILITY WOULD BE EXTENDED UNTIL 31 JULY 1983. THIS RESULTS IN AN ACCUMULATION OF $2.0 MILLION IN UNNECESSARY INFLATION. WORSE YET WE WOULD GET OUR URGENTLY

NEEDED HEALTH CENTER A YEAR LATER THAN PROJECTED UNDER ALTERNATE A. THE TOTAL PROJECT COST OF $31,929,000 IS STILL WITHIN THE AMOUNT AUTHORIZED IN PL 96-205; HOWEVER, WE BELIEVE IT WOULD BE A "POUND FOOLISH, AND PENNY WISE" INVESTMENT OF TAX PAYERS' MONEY.

THE ANLYSIS THAT I JUST SUMMARIZED IS DOCUMENTED IN OUR "COST ANLYSIS." IT IS ONLY APPROXIMATE AT THIS EARLY STAGE OF DESIGN. THE NUMBERS WILL BECOME INCREASINGLY MORE EXACT AS THE DESIGN PROGESSES. WE BELIEVE THAT THE NUMBERS WILL BE GRADUALLY REDUCED AS WE CONTINUE OUR THOROUGH PLANNING AND DESIGN.

NOW, IF I MAY, I WOULD LIKE TO TAKE A FEW MORE MINUTES TO DISCUSS FRANKLY WITH YOU THE ABILITY OF CNMI TO CONTRIBUTE IN THE FUNDING OF THE HEALTH CENTER PROJECT. AS YOU WELL KNOW THE RESOURCES OF OUR GOVERNMENT ARE SEVERELY LIMITED. ALMOST EVERY DOLLAR SPENT FOR CAPITAL IMPROVEMENT IN THE COMMONWEALTH COMES FROM THE U. S. CONGRESS AND THE DEPARTMENT OF THE INTERIOR. WE ARE VERY AWARE THAT OUR ISLANDS WOULD BE UNDEVELOPED TODAY IF IT WERE NOT FOR THE GENEROUS SUPPORT YOU HAVE LONG GIVEN US. WE ARE ALSO AWARE THAT THE PEOPLE OF THE UNITED STATES ARE NOT ANXIOUS TO HELP A LITTLE GOVERNMENT THAT WILL NOT EVEN TRY TO HELP ITSELF. WE SINCERELY TRY. WE THINK WE ARE SUCCEEDING IN OUR SELF-HELP EFFORTS.

I SUBMIT TO YOU MR. CHAIRMAN AND LADIES AND GENTLEMEN THAT WE THE PEOPLE OF THE CNMI HOLD THE HEALTH CENTER PROJECT IN SUCH HIGH PRIORITY THAT WE ARE WILLING TO SACRIFICE MANY OTHER CAPITAL IMPROVEMENTS TO GET THAT FACILITY. WE HAVE ALREADY SACRIFICED A LOT. WE HAVE INVESTED IN THE NEIGHBORHOOD OF

$400,000 IN CONSULTANT STUDIES AND INTERNAL MANAGEMENT OVER THE PAST FOUR YEARS. SOME OF THIS CAME FROM OPERATIONAL FUNDS, SOME FROM CIP FUNDS. WE HAVE ALSO BORROWED FROM CIP FUNDS TO KEEP UP THE PROJECT'S MOMENTUM AND TO SUPPLEMENT OTHER GRANTS SUCH AS THE FY-82 APPROPRIATION FOR A/E FEES.

WE ALSO CONTRIBUTED THE BEST PARCEL OF REAL ESTATE IN SAIPAN FOR THE HEALTH CENTER. A SIXTEEN ACRE SITE LOCATED NEAR THE BIG TOURIST HOTELS WAS IDEAL FOR COMMERCIAL DEVELOPMENT AND HAD A FAIR MARKET VALUE OF $3.0 MILLION. WE RECOGNIZED HOW CRITICAL IT WAS THAT THE HEALTH CENTER BE LOCATED FOR GOOD ACCESS, EFFICIENT OPERATION, AND CONTINUED SERVICE DURING AND AFTER A TYPHOON OR EARTHQUAKE. BY MAKING THAT SITE AVAILABLE WE UNDOUBTEDLY EFFECTED A SAVINGS OF ONE MILLION DOLLARS IN SITE GRADING AND PREPARATION COSTS, PERHAPS HALF A MILLION IN UTILITIES AND ACCESS ROADS THAT WILL NOT HAVE TO BE BUILT, BECAUSE THEY ALREADY EXIST. THESE FIGURES COME FROM A COMPARATIVE ANALYSIS OF THE THREE BEST SITES AVAILABLE LAST YEAR.

WE KNOW WE WILL HAVE TO MAKE MORE CONTRIBUTIONS BEFORE WE HAVE OUR HEALTH CENTER, AND WE WILL MAKE THEM WITHIN OUR MEANS. WE CERTAINLY WILL WAIVE ANY TAX REVENUES THAT WOULD OTHERWISE ACCRUE TO THE CNMI GOVERNMENT, AND WE WILL CONTINUE TO CONTRIBUTE OUR TIME AND INCIDENTAL EXPENSES. WHAT MORE DO WE HAVE TO CONTRIBUTE?

LET ME CITE A LITTLE NOTICED PROVISION OF PL 96-205. I REFER TO TITLE VI, SECTION 601 WHICH APPEARS TO REQUIRE WAIVER OF LOCAL MATCHING IN APPROPRIATIONS. THE DEPARTMENT OF THE INTERIOR IS INSISTING THAT WE MUST CONTRIBUTE 25% OF THE PROJECT COST. ADDING THE EXPENSES WE HAVE ALREADY INCURRED, THE VALUE OF

LAND WE CONTRIBUTED, AND EXPENSES EXPECTED IN THE NEXT TWO OR THREE YEARS, PERHAPS WE WILL MEET INTERIOR'S REQUIREMENT. PROBABLY WE WILL FALL SHORT.

WE DO NOT ATTEMPT TO LEGALLY INTERPRET SECTION 601, BUT IT APPEARS TO US THAT THE INTENTION OF CONGRESS WAS TO MAKE IT AS EASY AS POSSIBLE FOR US TO HAVE OUR DESPERATELY NEEDED HEALTH SERVICES AND FACILITIES. WE HOPE THAT A SPECIFIC MATCHING AMOUNT WILL BE WAIVED OR AT LEAST REDUCED TO THE POINT WHERE FURTHER CONTRIBUTIONS DO NOT BANKRUPT OUR CIP FUND.

FINALLY, I WISH TO MAKE A FEW REASSURING COMMENTS ABOUT THE STAFFING, OPERATION, AND MAINTENANCE OF THE HEALTH CENTER AFTER IT IS BUILT. WE ARE ALL CONCERNED ABOUT THIS, BECAUSE MOST OF US HAVE SEEN WHAT HAS HAPPENED TO OTHER RECENTLY COMPLETED HOSPITALS IN THE PACIFIC. WE HAVE SEEN NEW BUILDINGS STAND IDLE FOR LACK OF STAFF. WE KNOW THAT SOME CONTINUE TO BE A MONETARY DRAIN AS PEOPLE STILL CANNOT OR WILL NOT PAY FOR SERVICES. WE HAVE SEEN BEAUTIFUL NEW BUILDINGS LITERALLY FALL APART FOR LACK OF MAINTENANCE. I ASSUME YOU THOSE PROBLEMS WILL NOT OCCUR IN SAIPAN. WE HAVE BEEN WARNED OUR PROJECT WILL NOT BE APPROVED IF THOSE POSSIBILITIES EXIST.

IN NOVEMBER 1981 OUR COMMONWEALTH HEALTH PLANNING AND DEVELOPMENT AGENCY APPROVED A THOROUGHLY PREPARED APPLICATION FOR EXPANSION OF SERVICES AND CONSTRUCTION OF FACILITIES. A CERTIFICATE OF NEED WAS GRANTED IN ACCORDANCE WITH FEDERAL AND COMMONWEALTH LAWS, BUT MORE IMPORTANTLY A PROCESS AND TIME TABLE WAS ESTABLISHED FOR THE FURTHER DETAILED PLANNING AND IMPLEMENTATION REQUIRED FOR THOSE SERVICES AND FACILITIES.

WE HAVE ALREADY BEGUN THE DETAILED PLANNING AND IMPLEMENTATION. AN AD-HOC COMMITTEE FOR HEALTH MANPOWER, FINANCIAL SYSTEMS, OPERATIONS AND MAINTENANCE WAS APPOINTED. MEMBERS ARE THE DIRECTOR OF HEALTH SERVICES, THE HOSPITAL ADMINISTRATOR THE CHAIRMAN OF THE HEALTH COORDINATING COUNCIL, THE EXECUTIVE DIRECTOR OF THE HEALTH PLANNING AGENCY, AND THE HOSPITAL PROJECT DIRECTOR. THEY WILL BE SUPPORTED BY A PLANNING STAFF, CONSULTANTS AND BY THE DEPARTMENT OF HHS REGION IX.

THE COMMITTEE IS NOW WORKING ON A MANPOWER PLAN. IN THE PAST TWO YEARS WE HAVE RECRUITED FIVE DOCTORS FROM THE U. S. AND PACIFIC ISLANDS. IN THE NEXT THREE YEARS WE MUST RECRUIT FIFTEEN TO MEET THE NEEDS OF OUR GROWING POPULATION. WE ARE NOW IN NEGOTIATIONS WITH THREE. WE BELIEVE WE WILL BE SUCCESSFUL.

WE NEED 42 MORE NURSES TO STAFF THE NEW HOSPITAL. WE PLAN TO FIND THEM IN THE U.S., AND IN OTHER COUNTRIES AROUND THE PACIFIC. WE ARE IN DISCUSSIONS WITH THE UNIVERSITIES OF GUAM AND HAWAII TO ARRANGE FOR RETAINING FOR OUR PRESENT NURSING STAFF OF 60, AND WE WILL FURTHER DEVELOP THE EXISTING CONTINUING EDUCATION PROGRAM AT THE HOSPITAL.

WE WILL PLAN AND RECRUIT TECHNICIANS TO OPERATE AND MAINTAIN THE MEDICAL AND MECHANICAL EQUIPMENT WE INSTALL IN THE NEW FACILITY. OPERATING AND MAINTENANCE ENGINEERS WILL RECEIVE TRAINING DURING CONSTRUCTION, BOTH AT THE SITE AND IN STATESIDE HOSPITALS.

BY THE TIME WE OPEN THE NEW HEALTH CENTER WE PLAN TO HAVE

FINANCIAL SYSTEMS IN OPERATION. WE ARE LOOKING AT INSURANCE PROGRAMS, PRE-PAYMENT PLANS, MEDICAID, AND OTHER PROGRAMS TO ASSURE THAT ALL OUR PEOPLE CAN AFFORD AND HAVE ACCESS TO THE NEW SERVICES AND FACILITIES. WE WILL ESTABLISH TIGHTER FISCAL POLICIES TO RECOVER REVENUES NOW LOST. WE WILL NOT OFFER SUCH HIGH-LEVEL SERVICES AS OPEN-HEART SURGERY, CANCER THERAPY, AND COMPUTERIZED X-RAY SCANNING, BUT WE THINK WE CAN REDUCE OFF-ISLAND CARE AND SAVE AS MUCH AS $800,000 TO $1,000,000 EACH YEAR.

WE ARE INTENT THAT OUR NEW HEALTH SYSTEM WILL BE AS SUCCESSFUL AS OUR FACILITY DESIGN AND CONSTRUCTION PROJECT.

IN SUMMARY, I WOULD LIKE TO RESTATE SOME FACTS FOR YOUR CONSIDERATION.

FIRST, REGARDING THE NEED FOR HEALTH SERVICES AND FACILITIES FOR THE COMMONWEALTH:

THE U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES FIRST IDENTIFIED THE NEED AND SUPPORTS US FULLY IN OUR PLAN TO MEET THE NEED.

MANY RECOGNIZED EXPERTS HAVE QUALIFIED THE NEED.

THE U. S. CONGRESS RECOGNIZED THE NEED AND AUTHORIZED FUNDS IN PUBLIC LAW 96-205

SECOND, REGARDING COST JUSTIFICATION:

CNMI HAS PROCEEDED WITH PLANNING AND DESIGN OF A COMMONWEALTH HEALTH CENTER IN A VERY THOROUGH AND COST-

CONSCIOUS MANNER. WE ARE WITHIN BUDGET (WITHIN THE AUTHORIZED AMOUNT) AND ON SCHEDULE.

IF WE DESIGN AND BUILD THE HEALTH CENTER ACCORDING TO THE MOST OPTIMUM ALTERNATIVE, THE TOTAL PROJECT COST WILL BE APPROXIMATELY $29,819,000. WE WILL HAVE THE GREATEST FLEXIBILITY IF WE HAVE THAT ENTIRE AMOUNT IN FY-1983.

IF ALL THE FUNDS ARE NOT AVAILABLE IN A SINGLE YEAR APPROPRIATION WE MUST PROCEED WITH A PROGRAM OF SEPARATE, PHASED CONTRACTS. THE MOST EFFECTIVE OF THE PHASED ALTERNATIVES REQUIRES $19,902,000 IN THE FIRST YEAR, $9,963,000 IN THE SECOND YEAR.

OUR THIRD ALTERNATIVE INVOLVES $8,900,000 IN THE FIRST YEAR AND $31,240,000 TOTAL OVER A THREE FUNDING PROGRAM. THIS RESULTS IN A DELAY IN OCCUPANCY AND HIGHER COSTS DUE TO INFLATION. THESE FIGURES WERE RECOMMENDED BY THE HOUSE SUBCOMMITTEE ON INSULAR AFFAIRS.

THE LAST AND MOST UNDESIRABLE ALTERNATIVE RECOGNIZES THE ADMINISTRATION'S BUDGET FIGURE OF $4.0 MILLION FOR FY-1983. THAT REQUIRES EVEN MORE TIME TO IMPLEMENT. WE WOULD GET OUR FACILITIES A YEAR LATER THAN OPTIMALLY POSSIBLE AND WE WOULD PAY A TOTAL OF $31,929,000.

CNMI HAS ALREADY CONTRIBUTED ABOUT $400,000 IN THE PROJECT, HAS CONTRIBUTED A SITE VALUED AT $3.0 MILLION AND WILL CONTINUE TO CONTRIBUTE IF NECESSARY.

THIRD AND FINALLY, REGARDING THE OPERATION AND MAINTENANCE OF THE COMPLETED HEALTH CENTER.

CNMI INTENDS TO STAFF, OPERATE, AND MAINTAIN THE HEALTH CENTER LIKE ANY IN THE U. S. WE WILL NOT ALLOW IT TO BE IMPROPERLY STAFFED; IT WILL NOT BE A FINANCIAL DRAIN ON THE GOVERNMENT, AND IT WILL BE PROPERLY MAINTAINED.

THE COMMONWEALTH HAS BEGUN THE DETAILED PLANNING NECESSARY AND WILL IMPLEMENT THE PLAN BEFORE CONSTRUCTION IS COMPLETE. WE WILL BE REPORTING FURTHER PROGRESS TO YOU.

THANK YOU, MR. CHAIRMAN, LADIES, AND GENTLEMEN FOR YOUR CONCERN, ATTENTION AND PATIENCE. PLEASE CONTINUE SUPPORTING US AND HELP US GET THE HEALTH SERVICES AND FACILITIES WE NEED.

SUMMARY STATEMENT

Senator McClure. Would you like to make a statement or a brief outline of the statement?

Mr. Pangelinan. Mr. Chairman, if I may, the Governor has asked me to summarize for the record the request of the Northern Marianas. We're here, Mr. Chairman, as you can see from the voluminous document that we have presented to you earlier that we are here to support the continuing government operation of the Northern Marianas.

Senator McClure. I do want to thank you for that. That's an excellent job and it's very helpful to us and I compliment all of you for the kind of work that you've done in preparing these materials. It is a very good job.

Mr. Pangelinan. Mr. Chairman, I would also like to note that your staff has been very helpful in visiting the islands of the Northern Marianas very recently and they're fully familiar with the problems that we have there and I hope that they have fully briefed you on the problems of the islands.

Senator McClure. They have indeed. They will continue to do so.

Mr. Pangelinan. Thank you very much, sir.

POWER GENERATION REQUIREMENTS

Senator McClure. One of your additional requests is for a fourth 7.2 megawatt generator for installation at the newly completed Saipan power station. According to your statement, this additional generator would make it possible to accommodate peak power demand until 1984 and average daytime demand until 1986. You also indicate it would take up to 14 months to procure and install from the date the order is made.

Under the very best of circumstances, the order could not be made until October of this year and, under that circumstance, the generator would not even come on line until late 1983 or early 1984. That's the most optimistic schedule that we could predict.

Beyond 1984, what are the plans to be able to meet peak demand?

Governor TENORIO. At the moment, Mr. Chairman, we have a standby generator that is generating approximately 7.4 megawatts.

Senator McCLURE. It's the backup that you intend to use to meet peak demand?

Governor TENORIO. Yes, sir.

Senator McCLURE. And for how long will you have to do that?

Governor TENORIO. In our statement, we stated that we needed up to at least 1984 at a cost of approximately $5 million to fix it.

Senator McCLURE. How old is that backup system and what kind of condition is it in?

Governor TENORIO. It's an old make, Mr. Chairman.

Senator McCLURE. Is it in good condition?

Governor TENORIO. It's certainly not in good condition. We keep maintaining it so it will be in operatable condition.

Senator McCLURE. Well, I appreciate your statement very much. We'll look into that a little further. I have some other questions which I will submit.

Let me ask one further question because I think it may be appropriate to put it on the record today. Are you taking steps to train personnel to operate and maintain the powerplant as well as other public works activities?

Governor TENORIO. Yes, sir; we are requesting the Interior Department for technical assistance.

Senator McCLURE. Are you getting from the Department of the Interior the kind of help you want in regard to that training?

Governor TENORIO. We are just requesting the assistance of the Interior Department and we'll be getting it hopefully.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you very much. The balance of the questions will be submitted and the answers placed in the record when received. Thank you, gentlemen, very much. Again, I compliment you for this and we'll look at these materials very carefully.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Below are the answers to the few questions you and your staff submitted for our written response.

Regarding the order of priorities for our additional requests:

1. Health Center
2. Water
3. Power
4. Fuel & Energy Costs
5. Highway
6. Wastewater
7. Harbor
8. American Memorial Park
9. Medical Referral
10. TTPI Properities

Regarding power generation:

a. The request for quotation for the fourth 7.2 MW generator has already begun, and it is anticipated that work can commence in October 1982 when funding becomes available. Completion of the work will be in December 1983 or early 1984, when we will be able to meet a peak demand of 21.6 MW with three generators in operation and one generator undergoing preventive maintenance (every 1,000 hours) or periodic overhaul (every 8,000 hours).

b. The peak demand is projected as follows:

YEAR:	1981	1982	1983	1984	1985	1986
MW:	14.3	15.4	16.7	19.4	21.1	22.2

It means that we wll be able to meet the peak demand until 1985, but by 1986 we will require additional generating capacity. The Commonwealth plans to meet this new demand through development of alternate energy sources such as OTEC, geothermal, photovoltaic, biomass and tidal energy.

c. In the meantime, we can operate only two generators, while the third one is undergoing maintenance, with a maximum capacity of 14.4 MW. Because the present peak demand is 15.4 MW, we have to use our backup system during the peak period. This backup system consists of 2 units of 2.2 MW each and 2 units of 1.5 MW each, all over 15 years old. One 2.2 MW unit and one 1.5 MW unit have been out of service for the past year because of funding problems and lack of spare parts (the manufacturers have gone out of business, but we have just located the same parts in Singapore). The remaining two units require major overhaul. There are also three old military surplus generators that have been out of service since 1978 and will be scrapped. So we can only depend on 3.7 MW backup capacity at the moment, but we can increase this to 7.4 MW if we put the other two units back into service.

d. We also have 5 generators with capacity varying from 15 to 200 KW as standby units used at wells, springs and hospital sites.

e. We have no problem with routine maintenance of the 7.2 MW generators, but for the general overhaul (every 8,000 hours) we are still depending on the manufacturer to do the work on contract until 1984. For the fourth 7.2 MW generator, the contract stipulates that the manufacturer will train local personnel to do the overhaul, and up to 5 persons will be sent to the factory for further training. We are also hiring a diesel mechanic/trainer to train local personnel in maintenance and overhaul of the other generators, including those in Tinian and Rota. We intend to keep our backup generators working at least for the next five years to meet our peak demand and while we develop our alternate energy sources.

f. The cost of generating power in 1981 was $6.855 million, and will be $8.87 million in 1982. The revenue for 1982 will be $3,000,000, and the projected shortfall will be $5.87 million.

g. All consumers pay the same rate of 3.5 cents per kWH. The Legislature has approved a bill to increase the rates as follows:

up to 800 kWH/month	5 cents per kWH
801 to 2,000 kWh/month	6 cents per kWH
2,001 to 25,000 kWH/month	7 cents per kWH
25,001 and over kWH/month	8 cents per kWH

The effective date will be June 1, 1982. There will be no higher rate for hotels, but since they will be the big consumers they will be paying the higher rates. The additional revenue that will be generated by this increase in rate is estimated to be $2.5 Million.

Regarding the basis of the cost estimate for the new hospital:

a. The COST ANALYSIS enclosed, includes a basic cost estimate prepared by professional cost engineers based on the schematic plans.

b. The COST ANALYSIS also includes four alternate approaches to construction and funding. These were prepared in the very thorough study of how to most efficiently attain our goal at the lowest cost, and at the earliest date.

Regarding hospital facilities beyond the original scope:

a. The original scope was somewhat more extensive than finally defined. Through exhaustive planning we were able to reduce the original beds from 90 to 74. Some out-patient facilities were expanded in keeping with current trends toward out-patient versus in-patient care. The net result was a 12% reduction in building area.

b. The only budget item recently introduced (in FY-82 Congressional Testimony) is the $1.8 million for start-up and staffing costs. This was added in the realization that a facility with inadequate or untrained staff would be as unsuccessful as some other recent Pacific hospitals. This addition was strongly recommended by the U. S. Department of Health and Human Services, Region IX. We are determined to have doctors, nurses, technicians and maintenance personnel on-island, trained and ready to move in and operate the new Health Center. Start-up and staffing includes recruiting, training, preparation of housing, and transportation costs.

c. The major difference between the authorized amount of \$24.4 milion and the cost projected to the time of construction is inflation. The Officer-in-Charge of Construction (OICC) for the Navy in Guam reports recent inflationary rates for construction in Micronesia have been 12% per annum. Our cost estimate was based on real 1982 costs for hospital construction, inflated at 10% to the start of construction (1 Feb. 1983).

Regarding the sufficiency of \$4.0 million in letting a hospital contract for a project which will cost \$25 million or more:

a. We could not let a general contract with only \$4.0 million initially available. We could let several small subcontracts for such items as site preparation, foundations, and main utilities. See alternate D., enclosed. This would delay both the start and completion of construction adding over \$2.0 million in inflationary cost.

b. We have done considerable research and construction planning leading to the conclusion that about 2/3 of the project cost, or \$19,902,000, is required in the first year to effectively contract for the entire construction (with contracting authority) and pre-purchase major equipment and long lead items. With this kind of appropriation we can start and complete the construction at the earliest dates (1 Feb. 83 and 31 July 84) see alternate B enclosed. This is the alternate we are proposing. It delays a further appropriation of \$9,963,000 until FY 1984. We respectively request that these monies be appropriated in FY 1983 to fund some of our other urgently needed projects, such as the water system and power generation and distribution.

MARSHALL ISLANDS

STATEMENTS OF:
HON. AMATA KABUA, PRESIDENT
ANTON DE BRUM, FOREIGN SECRETARY, MARSHALL ISLANDS

BUDGET REQUEST

Senator McCLURE. Our next witness will be from the Marshall Islands, the Honorable Amata Kabua, president; and Mr. Anton deBrum, foreign secretary. Would you gentlemen come forward and take your places at the table, please? Mr. deBrum, we have your prepared statement and I appreciate the opportunity to hear from you today. Your statement will be placed in the record in full. You may proceed to summarize or extemporize as you see fit.

Mr. DEBRUM. Thank you very much, Mr. Chairman. President Kabua is in the meeting room, Mr. Chairman.

Our budget we've presented, Mr. Chairman, is considerably different from the one submitted by the Department of the Interior, but one which we feel is more realistic and a true representation of the needs of the government of the Marshall Islands.

We appreciate the fiscal constraints which the Government faces, but we wish to register our feeling that one must recognize the severe impact of even what may appear to be minor cutbacks in budget on the fragile economy such as ours.

We have worked to reduce inefficiency in government spending and we are now providing more services at a lower cost than in the past. We're proud to report we are making good progress in generating local revenues and this year our local revenues almost match the operating grants of the U.S. Government.

We are asking for compact level funding not because there's simply a compact but because we worked out those budget arrangements in that structure for the past 3 years and I'm confident that with those levels we can proceed with the goals of our government which are shared by yours.

We will be requiring technical assistance in various areas. We have indicated in our statement our need for technical assistance in communication administration both internally and internationally, in the area of maritime law and maritime enforcement, as well as health training.

We know that the Department of the Interior has requested special assistance for people who are affected by the nuclear tests and we respectfully seek the committee's consideration of these requests.

We also seek assistance from the committee in funding a revision of the classification compensation system for our public service. There has been no revision of this system since 1975. We realize the sizable amount requested to fund it, but we wish to enter for the record our feeling that these changes, based on the cost-of-living changes alone, would be justified.

The proposal on the Marshall Islands still has a number of CIP projects which are funded or to be funded. We request that in the future handling of these construction projects some provision be made for the future operation and maintenance of such projects, including a built-in training component for construction projects.

Mr. Chairman, this is not in my statement, but as an aside, I wish to call your attention to the request of the public for reprograming of certain funds that have been made available for CIP projects in Ebeye and Kwajalein Atoll. We would request your favorable consideration of our request for reprograming some of those funds. Thank you, Mr. Chairman.

Senator MCCLURE. Thank you very much. I am concerned with the continuing problem that you identify in almost every budget presentation. This is not a new one. That's how we manage to get the capital improvement program completed and at the same time have some reasonable expectation that your government will be able to maintain them, both financially and in terms of the training and skills that are necessary to do that. And you put your finger on the need for technical assistance in training people.

Along that line, what are your needs for assistance in financial management?

ASSISTANCE NEEDS

Mr. DEBRUM. We have in the budget, Mr. Chairman, introduced a line item designed to fund our new financial management system, both equipment and in personnel. As you know, in recent weeks we have had extensive reviews of our financial system. Through your assistance, the GAO has visited us as well as our own internal auditing systems. We are aware of a need to tighten up in that area and we are making every effort to do so. We appreciate the assistance already given and look forward to obtaining further technical assistance in that area from the U.S. Government.

Senator MCCLURE. I notice that you have suggested that future capital improvement project contracts include within them the requirement for training of local personnel that would be tied to it as a part of the contract. Can you provide for the record a list of your training needs?

Mr. DEBRUM. Yes, sir. We will be able to provide for the record a list of our training needs.

Senator MCCLURE. I wonder if you would include in that an indication of whether each of those needs can be met during future construction activity or whether it will take a specific and separate training effort.

Mr. DEBRUM. We will be able to provide that, Mr. Chairman. If I may just add this response though, there are many projects upcoming in which these components could be built in and we could provide for the training, for example, of hospital maintenance and others of water distribution maintenance and sewer system maintenance; but there are other areas in which the CIP's have been completed and for which training will be required on a separate basis. We will be able to provide that in writing to your staff, Mr. Chairman.

Senator McClure. That will be made a part of the record when we receive it. When did you receive notification from the Department of the Interior to prepare your budget justification for fiscal year 1983?

BUDGET PREPARATION

Mr. deBrum. I believe it was in February, Mr. Chairman.

Senator McClure. How long did you have to prepare the justification before you were required to submit it to the Department?

Mr. deBrum. The way this was done, Mr. Chairman, the High Commissioner's office invited various budget officers from each of the governments to Saipan where the process of budget preparation and justification took place. I believe everything was completed before April 1.

Senator McClure. Could you provide for the record the exact dates?

Mr. deBrum. We'll do so, sir.

Senator McClure. Did you have a feeling that the preparation period was long enough?

Mr. deBrum. No, sir.

Senator McClure. What I'm getting at is how you felt about the adequacy of the time and if the time constraints made it difficult for you to submit the documents that were necessary. In order to support your statement, could you provide for us the exact dates?

Mr. deBrum. We will do that.

[The information follows:]

The Marshall Islands received the final fiscal year 1983 budget allowance figure on January 5, 1982. The budget justification was completed and transmitted to the Department of the Interior on January 25, 1982.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. Thank you very much. I have some further questions which I will submit for the record and will appreciate your responses in writing. Thank you very, very much for your testimony this morning.

Mr. deBrum. Thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Question:

Are second level capital improvement projects part of a comprehensive development plan designed towards economic growth and increasing self-reliance of the Republic of the Marshall Islands?

Answer:

Beginning in fiscal year 1983, all capital projects must be included in the Republic's National Development Plan in order to be eligible for funding. The plan is a unified, comprehenisve, five-year program designed to achieve the National objectives. Since one of the objectives of that plan is the promotion of regional development, projects to place infrastructure in outer island communities are given a high prioirity. For the most part, these projects will be heavily oriented towards economic development. It includes funding for construction of copra warehouses, reefer plants, airstrips, docks, and for alternative energy projects to provide power for the new infrastructure. All of these projects are expected to contribute to the expansion and diversification of outer island economies, both in terms of production of goods for export and production of goods which will substitute for imported commodities.

Question:

What assurances does the U.S. have that the second level CIP projects will satisfy the infrastructure needs of your country? How were the projects identified, how were the cost estimates developed, and what analyses and evaluations were undertaken to determine development needs? Has the possibility of using "Capital Account Funds" provided under the Compact of Free Association been considered as a funding source for these projects?

Answer:

The Republic does not anticipate that funding from the United States will meet all of its infrastructure needs. Given the fact that the infrastructure presently in place in urban centers is inadequate and seriously overtaxed, and the fact that vital infrastructure in the outer islands is almost non-existant, the costs of putting the infrastructure in place which will satisfy all of the Republic's needs are enormous. It is not realistic to anticipate funding from the United States at this level. Instead, the priority list of capital improvement projects shown in Attachment I represents the minimum level of infrastructure necessary to begin to tap the Republic's economic potential, and thereby generate a self-sustaining, local revenue base. This base will be a future source of funding for a more reasonable level of infrastructure. In the short to medium term, the Republic will delay the putting in place of infrastructure needed for social and educational development, in favor of infrastructure needed for economic development.

For the most part project identification is the result of previous planning efforts. Costings have been updated by program managers and a capital improvement projects coordinator. The Republic proposes to use "Capital Account Funds" provided under the Compact of Free Assosication to fund projects identified in the National Development plan which are not current, "second-level," or transitional capital improvement projects. Transitional projects are defined as those capital improvement projects which are necessitated by the termination of the Trust Territory Government, such as the new capitol building or the new financial management system.

Question:

Due to past land acquisition problems in constructing projects under the 1976 Five-Year Capital Improvement Program, what steps have been taken to assure there will be available lands to construct these new projects?

Answer:

The Government has experienced no difficulties in securing long-term leases of land from private owners for its projects. For example, the Government has already signed a 30-year lease for the land upon which the new Majuro hospital is being constructed.

Question:

Please provide for the record a priority listing of all Capital Improvement Projects, including capitol construction activities.

Answer:

The Republic has three levels of priority with regard to additional funding for capital improvement projects. The highest priority is to provide funding to restore current CIP projects to a suitable scope. As Attachment II shows, this can be accomplished with $6,891,600 in net additional funding, provided that control of these projects is given to the Republic. For most projects, the Republic has estimated the cost of construction at a level lower than that estimated by the Army Corps of Engineers. These estimates are supported by engineering designs, as well as actual bids and offers from contractors. Turning these projects over to the Republic will not only allow the projects to be done at less expense, but will provide the Republic with the valuable contract management and construction experience it will need in the post-Trust Territory of the Pacific Islands period.

The expected source of funding for restoration of current capital improvement projects is from supplemental appropriations from the United States. The highest priority within this category is additional funding for the Majuro sewer project so that the scope of the project can be enlarged to cover the entire Majuro urban area as opposed to only one-third of the urban areas proposed by the Army Corps of Engineers. According to an epidemologist from the U.S. National Center for Disease Control in Atlanta, the recent outbreak of typhoid in Majuro probably would not have occured if Majuro had a sewer system.

The second level of priority for capital improvement projects is to fund the "Second Level CIP's." The Republic is anxious to begin the long delayed development of outer island communities. As Attachment I shows, the estimated cost to fund the Second Level CIP is $17,875,000; the expected source of funding is supplemental U.S. appropriations.

The third level of priority for capital improvement projects are new/transitional CIP projects. This includes projects for infrastructure which are necessary as a result of the pending dissolution of the Trust Territory Government (e.g., Capitol Building, Financial Management System) and as well new economic development projects which have been included in the National Development Plan. The expected source of funding for the "transitional" projects are supplemental U.S. appropriations. The sources of funding for the new projects are the Capital Account

Funds provided under the Compact of Free Association and local revenues.

The Republic recognizes the importance of maintaining its infrastructure and acknowledges that current shortages of skilled manpower constitutes a major impediment in maintaining infrastructure. Therefore, it wholeheartedly endorses an approach in which training of local personnel is tied to forthcoming capital improvement project contracts. The Republic has taken intermediate steps in this direction by providing for a program of ongoing maintenance of the new hospital in the construction contract. It is hoped that the expatriate personnel who come to provide the maintenance services will also provide informal training as a matter of course. Likewise, the Government will attempt to include a training component in the management contract for the new power plant. However, much more needs to be done in this area.

The Republic proposes that both training and maintenance provisions be written into all ongoing and future CIP contracts. While it is acknowledged that these areas overlap somewhat, a specific maintenance component should be written into all contracts to ensure that necessary maintenance equipment and tools will be in place when a facility becomes operational and to ensure that maintenance visits are made by the contractor for an appropriate period of time after commissioning. Training of local personnel would be included as part of the maintenance visits.

Question:

For the record, please provide a list, in order of priority, of all your technical assistance needs, and include a cost estimate and explanation of each.

Answer:

A list of technical assistance needs, in priority order, is provided in Attachments III-A and III-B. The first attachment shows priorities for longer range technical assistance in which the person filling the position would reside in the Marshall Islands and work on a contractural basis. The second attachment shows technical asssitance that can be provided on a short term, team basis. It would usually involve provision of advice on the establishment on government functions that the Republic is assuming as the Trust Territory Government is being terminated.

The annual cost for long range type technical assistance for salaries only, is approximately $411,000. The one-time costs for short term technical assistance are about $462,000.

Question:

Do you currently have a deficit carried forward into fiscal year 1982? If so, how much? Based on the Administration's 1983 budget request, do you anticipate either increasing or decreasing this deficit? If so, by how much?

Answer:

The Republic incurred a deficit of $1,628,890 in fiscal year 1981. Of this amount the U.S. share of the deficit was $865,583 and the Republic's share was $763,307. However, since $700,000 was included in the fiscal year 1982 budget to meet the anticipated local share of the deficit, the amount of the deficit carried forward into fiscal year 1982 is $63,307. It is anticipated that this deficit will be erased by appropriating excess local revenues in the latter part of this fiscal year.

The Republic will not operate under a deficit situation if the Administration's budget request is enacted. Instead, the Government will adopt a series of measures to drastically reduce its expenditures. These include laying off approximately 200 Government employees, closing outer island medical dispensaries, cutting down on field ship visits to outer islands, restricting maintenance expenditures, and eliminating aid to private schools, among other actions.

Question:

Can you outline for the Committee the economic development plan you have so far established? Are these plans firm or would you consider them still in the development stage?

Have you established any specific linkage between your economic development plans and the construction of your capital improvement projects? Can you provide for the record a narrative of the linkage you have developed in this regard?

Answer:

In April of 1967 a five year development plan, 1967-1972, was completed for the Trust Territory of the Pacific Islands. The major objective then, as it is now, was to promote a sound and viable economy consistent with orderly social, political, and economic change. Following that plan, an indicative economic development plan for the Marshall Islands was completed in July of 1976. The goals under such plan were to stabilize the population, reduce the level of disparity between earnings of cash economy workers and village workers earnings, create more productive opportunities in the private sector, and to generate a higher level of savings to supply needed investment capital, and to progressively reduce the gap between government expenditures and revenues by reducing expenditures and increasing local revenues.

In 1978 a draft fifteen year national development program was established for the year 1981-1995, based on the understanding that the Trusteeship Agreement for the Trust Territory of the Pacific Islands would terminate in 1981. The overall objectives in this program were to attain self-sufficiency in basic foods, expand agricultural and marine exports to achieve positive balance of payments, provide adequate education, health and social services to all Marshallese, and to equitably distribute an expanding gross domestic product.

Although the draft program was never formally approved by the new constitutional government, capital improvement projects and agricultural programs were established on such basis or guidelines.

In November of 1981 a physical plan for Majuro Atoll, the capital for the Republic, was completed. This limited plan is an effort at identifying or rather planning potential developing areas, proposing public and private facilities, minimizing the impact of development, determining spatial needs, proposing conceptual designs for facilities, and addressing the need for better and more housing.

In March of this year, 1982, the preparation of the 1983-1987 development plan commenced. This plan is scheduled to be completed in September of this year, ready for the approval of the Nitijela Parliament. The overall objectives are to upgrade the skills and efficiency of the human resources, improve transportation and communications, increase efficiency of exploitation of natural resources, initiate program of regional development, promote the growth of private sector, ensure progress toward progressive self-reliance, and maintain cultural and environmental heritage.

The plan shall be in two volumes: the first covers the policy framework, the macroframework, and the sectoral plans; and the second covers the implementation plan and the regional development plan. The first volume is expected to be ready by September, and the second by January of 1983. Except for the chapters on mineral resources, industry, trade and commerce, all the other chapters in the first volume plan are partially or fully completed.

Efforts are being made from the financial aspect, the governmental structure aspect, the training aspect, and all related aspects to meet the national objectives.

The National Development Plan includes capital improvement projects and there is a strong linkage between economic development plans and the construction of capital improvement projects.

Question:

Have you conducted a study to determine the effects of the loss or reduction of various Federal programs? If not, do you plan to do so? If so, briefly describe the results of the study or your preliminary findings.

Answer:

The Republic has not yet conducted a study of the potential loss or reduction of Federal programs. It does note that the loss of particular Federal programs that has already occured, such as the termination of the CETA YCC program, has had serious adverse impacts throughout the Marshalls. No local resources have been available to replace these Federal programs. As soon as President Reagan's Block Grant Consolidation Program is finalized, an assessment of its net impact on the Republic will be made.

Question:

Wages and employment in the public sector in Micronesia are above those for the private sector. In 1979, there were some 11,350 Micronesian public employees with an average annual wage of $2,904. In the same year there were 7,776 Micronesian employees in the private sector with an average annual wage of 1,663 per year. Have changes been made in this situation since 1979?

What progress can be made toward economic development if this situation is allowed to persist? Will you government be willing to curtail the growth of public sector wages and employment in order to apply resources toward economic development?

Answer:

Aggregate information with regard to private sector employment and wages in the Republic of the Marshall Islands is not available; therefore, the Government is not able to make a precise determination of the changes in public/private sector employment and wages that has occured since 1979.

The Republic is aware of the need to restrain the public sector wage bill in order to maximize resources available for economic development projects. Therefore, the National Development Plan place strict controls on the addition of new staff over the next five years. Measures will be adopted which will allow only for a limited, gradual growth in the number of public servants.

The fiscal year 1983 budget provides for a one-time, 20 percent increase in salaries for all public servants. While it is recognized that this action will increase the differential between public and private sector wages, the overall government wage bill is not expected to increase dramatically during the next five year due to strict controls on the addition of new staff.

With the twenty percent increase in compensation, the average wage earner shall be able to better meet his basic needs. The present average wage is $4,636 per annum. After deducting the 6% income tax, the insurance and social security deductions, and the other credit allottments, the average wage-earner has barely enough to see to his family's needs. A 20% increase shall narrow the gap by a little over $1,000. With the government's double efforts at promoting local food production to meet the local demand and at the same time substitute costly imported items, the 20% increase shall be adequate.

More Marshallese are presently trainined to become professionals and experts in the near future. For the Republic to be able to attract and retain these manpower, and also for the fiscal year to attract needed experts from the outside, the salaries shall have to be elevated to retain the Marshallese brain and attract the expatriates.

One of the national objectives of the Republic is to promote the growth of the private sector. With the increase to the present salary, the pool of investment funds and the purchasing power shall increase and vitalize the private sector.

The Republic is in a transitional period at different levels - at the Compact level, at the Constitutional level, and at the Public Service level. New and additional functions and responsibilities made necessary by the Compact and the Constitution demand establishment of new offices, thereby new types of positions which shall require top quality manpower. The salary increase is therefore a necessity to accomodate this. Reorganization of departments in the Public Service is necessary to reflect the changes in office and responsibility. The salary increase should accomodate the re-classification of positions which shall follow thereby.

Question:

In the past the electrical fees charged customers were approximately one-fourth to one-third the cost of production. When was your last rate increase, how much wa it, and how does the new rate compare to current production costs? Do you have any plans for increasing utility rates to cover the costs of production? If so, when do you expect these rate increases to take place and do you foresee any problems associated with these with these increases?

What were your total billings and collections for electrical consumption compared to the total cost of power production in 1981? Is the difference between collections and production costs being subsidized by the U.S., and if so, how long will you continue to need this subsidy?

What are the dollar amounts of your delinquent utility accounts over 60 days old? What have you done in the past, what are you doing now, and what do you plan to do in the future to collect the delinquent accounts? What were the results of your past actions to collect delinquent accounts?

Do the government departments pay for their utilities? If not, how do you promote conservation without accountability?

Have you considered establishing independent agencies to set rates and manage the utilities? Where such agencies have been established what difference has it made in establishing rates and improving cost recovery?

Answer:

The total cost of power production for all centers in fiscal year 1981 was $3,009,122. Collections from private consumers for electricity charges were $599,251. During the year, the Government consumed approximately 47 percent of the power produced and was therefore responsible for approximately $1,414,287 of total costs. Private consumers were responsible for $1,594,835 of total costs. The Government subsidy to private consumers was about $995,600.

The Republic's present electricity rate structure charges 8< per kwh for metered customers and a $15 flat rate per month for unmetered customers. Government department do not yet pay for the electricity they consume. They last rate increase for metered customers was implemented in 1978, when the rate was increased from 3< per kwh to the present rate. The flat rate was increased from $8 per month to $15 per month on May 1, 1982.

Information with regard to amounts of delinquent accounts over 60 days old is not available in the billing system. However, in March, the Department of Public Works began to disconnect consumers with large outstanding balances. This resulted in the collection of approximately $150,000 in delinquent accounts receivables. In the future, the Department will improve its collection performance by contracting the management of the operation of the new power plant to a private firm and by implementing a computer generated billing and accounts receivable aging system.

The Republic has implemented a process to gradually reduce the government subsidies for utilities, especially electricity and water. Actions which are underway include:

1. Construction of a new, more fuel-efficient power plant, which will result in an automatic decrease in the subsidy as a result of lower operational costs. The plan will be on-line in August 1982.

2. As of May 1, 1982, increase in the flat rates for water and electricity which have almost doubled the previous charges.

3. The placement of meters for elecricity and water on all structures, (private and government). Metered customers presently pay at much higher rates that do unmetered customers.

4. More aggressive actions to collect delinquent accounts, including faster disconnection for non-payment of bills.

5. Data collection for a rate study which entails the principle of overall full cost recovery for provision of electricty. It is tentatively planned to have some cross-subsidization among the various types of consumers with commercial consumers paying the highest rate.

6. Consideration of eliminating the free provision of 1000 kwh per month to some government employees.

7. Negotiations to award a long-range, management contract for the operation of the new power plant in which the contractor is paid on the basis of performance and percentage of fees collected.

Question:

Will your government be able to afford under separate systems the same level of benefits at the same level of contributions as under the present unified social security system.

Can the three governments share the administrative cost of a unified system rather than incurring the higher costs of separate systems? Does your government have sufficient numbers of trained personnel to be able to run separate social security systems? What technical assistance has been provided and needs to be provided to train social security personnel?

Answer:

While the Republic has not performed an actuarial analysis the present Trust Territory Social Security system, it believes that it will be possible to continue the same level of benefits with no tax increases under a separate system. This is due primarily to the low number of eligible retirees relative to the number of employers and employees contributing to the system.
The Republic is willing to explore the possibility of sharing administrative costs with the other entities in the Trust Territory.

The Republic currently administers part of the Social Security System functions and therefore has experienced personnel available to manage the additional functions. It is not anticipated that extensive, additional training will be required.

Question:

When did you receive notification from the Department of the Interior to prepare your budget justification for fiscal year 1983? How long did you have to prepare this justification before you were required to submit it to the Department?

Do you feel this turn-around period was adequate to prepare a budget and budget justification representative of your needs? If not, what do you feel is the minimum time necessary to prepare such documents more representative of your needs?

Answer:

The Republic was notified verbally by the Department of the Interior to prepare its budget justification for fiscal year 1983 on January 8, 1983. At this time, the Republic was invited to send representatives to the Trust Territory Headquarters in Saipan to prepare the justifications along with Trust Territory officials on January 12, 1982. The budget was prepared during the period of January 12 to January 16, 1982. Therefore, the period of time from budget notification to budget completion was eight days. Given the exceedingly short amount of notice and time available for actual budget preparation, it was not possible to consult with either program managers or the Cabinet in developing the budget. It is doubtful then, that the Department of the Interior submission realistically reflects the fiscal year's needs or is consistent with the Government's priorities. It is the Government's position that at least six to eight weeks are needed to prepare a realistic budget submission after having received initial notification from the Department of the Interior.

ATTACHMENT I

REPUBLIC OF THE MARSHALL ISLANDS
CIP PRIORITIES

Priority #	Project Description	Amount
1-7	Restore current projects to suitable scope (see Attathment II for detail)	$6,891,600
	Sub-total	$6,891,600
Fund second level CIP's:		
8	Copra warehouses, Outer Islands, 20 at $160,000 each	$3,200,000
9	Reefer plants, Outer Islands, 15 at $350,000 each	5,250,000
10	Outer Island Airstrips	2,000,000
11	Outer Island Docks, 8 at $500,000 each	4,000,000
12	Reconstruction of Outer Island classrooms	750,000
	Outer Island Alternative Energy Programs:	
13	Photovoltaic Village Power System Installation	350,000
14	Photovoltaic Lighting Systems	175,000
15	Photovoltaic Icemaker/Fish cooler systems	150,000
16	Road projects, Outer Islands, Stage 1	1,000,000
17	Community Center Cosntruction	750,000
18	Police Stations, Outer Islands	250,000
	Sub-total	$17,875,000
New/Transitional CIP's		
19	Financial Management System	$ 350,000
20	Telecommunications System	3,000,000
21	Farmers Market	130,000
22	Public Works complex	2,200,000
23	Transportation and Communications Office	50,000
24	Boys' Dormitory, Marshall Islands High School	425,000
25	Trade/Vocational Center	400,000
26	Juvenile Reformatory Center	50,000
27	Radio Station Building, Transmitter, Equipment	225,000
28	New Capitol Building	6,400,000
29	Government Housing	500,000
30	Female Detention Facility	10,000
	Sub-total	$13,740,000
	GRAND TOTAL CIP	$38,506,600

ATTACHMENT II

CAPITAL IMPROVEMENT PROGRAM

PROJECT	APPROPRIATION	EST. COST OF CONSTRUCTION CORPS OF ENGINEERS	RMI	FUNDS EXPENDED	ACTION
Ebeye Dock Container Yard	$ 2,494,000	$ 1,867,000	$ 1,200,000	$ 0	Transfer project to RMI control, reprogram excess funds to Majuro Dock Fender project and include paving of dock area in project scope
Majuro Electric Project (Laura)	2,474,000	6,800,000	2,700,000	3,500	Transfer project to RMI and redesign so that power is supplied by new Majuro Power Plant
Majuro Water Treatment Facility	255,400	146,400	146,000	17,000	Reprogram excess funds to Ebeye Sewer Project
Majuro Cafetorium	1,781,000	1,980,000	1,800,000	2,400	Transfer Project to RMI
Majuro Dock Fender System	0	350,000	350,000	0	Fund project, control retained by Army Corps of Engineers
Ebeye Sewer System	1,300,000	2,000,000	2,000,000	77,000	Reprogram funds from Ebeye Sewer to partially cover excess costs; provide new funding for remainder
Majuro Sewer System	5,000,000	3,700,000	12,000,000	900	Enlarge scope of project to cover the entire Majuro urban area; redesign outfall site; transfer to RMI
TOTALS	$13,304,400	$16,843,400	$20,196,000	$101,700	

Attachment III-A

REPUBLIC OF THE MARSHALL ISLANDS
TECHNICAL ASSISTANCE NEEDS
LONG TERM (2 to 4 years)

PRIORITY	POSITION	ANNUAL COST	EXPLANATION
1	Accounting Advisor	$25,000	Needed to train local personnel in accounts reconciliation, error suspense clearing procedures, etc.
2	Systems Administrator-Computer Center	30,000	Needed for systems development and operation of new financial management system, to include on-island ADP center
3	Hospital Administrator	27,000	Needed as a result of termination of SDM contract and the opening of the new, well equipped facility in FY 83
4	Hospital Maintenance Chief	25,000	Needed to train local personnel in hospital plant operations and maintenance for new facility
5	Health Planner	25,000	Needed to devise long range health plans in order to improve services and quality for Federal grants
6	Power Production Superintendent, Power Plant	30,000	Needed to operate new facility with heavy emphasis on regular maintenance of new plant (as per Solomon report)
7	Maintenance Supervisor, Power Plant	25,000	As per Solomon report
8	General Engineer-Engineering and Maintenance Control Division	27,000	As per Solomon report
9	Heavy Equipment Specialist	27,000	As per Solomon report

PRIORITY	POSITION	ANNUAL COST	EXPLANATION
10	Fisheries Specialist	30,000	Needed to assist in development of fishing industry
11	Telecommunication Specialists (3)	90,000	Needed to install, and operate new satellite communication systems and train local personnel
12	Alternative Energy Specialist	25,000	Needed to assist in establishment of photovoltaic
13	Chief, Operations and Maintenance Division	25,000	Energy system in outer island communities as per Solomon report
	TOTAL ANNUAL COST	$411,000	

ATTACHMENT III-B

REPUBLIC OF THE MARSHALL ISLANDS
TECHNICAL ASSISTANCE NEEDS

Short term (1 to 6 months)

Priority	Type of Technical Assistance	Cost	Explanation
1	Civil Aviation Administration	$ 87,000	New function
2	Maritime Authority	100,000	New function
3	Postal Service Reorganization	75,000	New function
4	Immigration & Passport Control	25,000	New function
5	Emergency Management	25,000	New function
6	Social Security System Admin.	25,000	New function
7	Trade & Industry Advisor	35,000	National Development Plan
8	Mineral Resource Advisor	100,000	National Development Plan
		$462,000	

FEDERATED STATES OF MICRONESIA

STATEMENT OF ASTERIO TAKESY, DEPUTY SECRETARY OF EXTERNAL AFFAIRS

ACCOMPANIED BY:

SENATOR RAYMOND SETIK, CHAIRMAN, COMMITTEE ON WAYS AND MEANS, CONGRESS OF THE FEDERATED STATES OF MICRONESIA
DEL PANGELINAN, BUDGET OFFICER
DAN PERRIN, NATIONAL PLANNER

INTRODUCTION OF ASSOCIATES

Senator McCLURE. Next we'll hear from the Federated States of Micronesia. The deputy secretary of external affairs is the witness and I have a prepared statement. I wonder if you would introduce yourself and your companions at the table and I note that we have a rollcall vote on the floor of the Senate and I'm going to have to leave in a few minutes to go over and vote and I'll then return.

Mr. TAKESY. Thank you, Mr. Chairman. I will try to be brief, but first allow me to introduce members of my delegation. With me today are Senator Setik, chairman of the Committee on Ways and Means of our congress; we have also our budget officer for the national government, Del Pangelinan; and our national planner, Dan Perrin.

First, I would like to express my appreciation for the opportunity to appear before you. We have a number of important problems and requests that we would like to bring to your attention.

Before I do that, let me just express our appreciation to the High Commissioner, Janet McCoy, and Dan High for the excellent cooperation we have received from them over the past year. The transfer of governmental functions has been rapid and smooth in many cases. We also note with appreciation the GAO's assistance in reviewing our records and making recommendations that will be useful in maintaining our accounts and improving our management systems. We look forward to the promised assistance by the assistant secretary, Mr. Pedro Sanjuan.

Let me just briefly go down the list of priorities that we would like to bring to your attention.

First on our list is maintaining the level of operation at $35 million. No. 2, the request for establishment of a financial management system to be implemented, funding of which is at $1.7 million; a telecommunications system at $3.1 million; maintenance of repair and purchase of equipment for our maintenance of public projects at $6 million; restoration of health and education services funding of $8.9 million, $3.3 million of which would go to restore the fiscal year 1983 level to $38.5 million.

Of course, you are aware of our borrowed quarters at this point in our development. We have been living in temporary quarters in Ponape for the past 3 years.

No. 6 on our item is funding for the capitol of the Federated States of Micronesia at $23 million.

In addition, we have specific listing of development CIP projects which we have identified also in the 5-year development plan at $27.4 million.

PREPARED STATEMENTS

Mr. Chairman, with your permission, we have prepared statements along with budget justification which we would like to submit for the record.

[The statements follow:]

STATEMENT OF ASTERIO TAKESY

Fiscal Year 1983 will be the third full fiscal year of operation of the Federated States of Micronesia. Our anticipation for Fiscal Year 1983 is that the United States and the Federated States of Micronesia will continue their efforts to resolve all outstanding subsidiary issues so as to finalize the Compact of Free Association.

We hope that, in this interim period just prior to entry into Free Association, the United States will aid the FSM in preparing for the best long-term use of funds to be received under the Compact. We want to build up the capability within our government to successfully provide and improve basic services, to maintain our infrastructure and to spur and manage economic development. We are on the way to attaining this type of capability, but need the help of the United States.

We also hope that, in this interim period, the United States will make progress toward developing the basic infrastructure of the Federated States. This year's Report to the Committee on the Budget of the House Committee on Interior and Insular Affairs stated:

> Self-reliance and economic development are commendable concepts, but they cannot be discussed seriously until we are farther along in providing these areas with the basic necessities essential to their day-to-day functioning.

We agree. Economic development is premised on the existence of basics such as adequate shelter, roads and docks, electricity and water. Yet it seems very clear that, as we approach the termination of the Trusteeship, we should be farther along. After 35 years of U.S. administration, self-reliance and economic development should be more than just commendable concepts.

We in the FSM seek to have our basic infrastructure as complete as possible so that during the Compact, we can concentrate on building up a productive economy. We ask, therefore, that you support additional development and construction funding for FY 1983.

In the meantime, the new constitutional government is concentrating on issues more close at hand. Since its inception, the Federated States has devoted its efforts to setting up and increasing government capability, maintaining and improving basic services, and working on the initiatives that must be started on before the start of the Compact.

In this statement, I want to present to the United States Congress a view of the Federated States' priorities and constraints among these three general areas of need:

- government capability
- maintenance and improvement of basic services
- long-term initiatives

It is infeasible and ill-advised to select just one of these and enforce it as a top priority. The problems in each area are such that they all require tenacious, continuing efforts.

The largest immediate constraint we face is in the area of government operations--especially maintenance and improvement of existing services. The great portion of the $35.137 million requested for the FSM in the Administration budget will be directed toward the provision of basic services in health, education, public works, public safety, public transportation and communication and administration of these services. Even with the great share of operations funding going to these functions, numerous shortfalls will exist in the provision of these services. Except for dispensaries and small elementary schools, there is little outreach of services to non-urban areas. Where provided, the quality of services is low. The successful provision of even a basic level of services has been made more difficult by the wide geographic distribution of the target population, poor pre-existing levels of service, inadequate physical plants, inadequate maintenance and the shortage of technically-trained service workers and managers. In addition, the effects of inflation, population increases and U.S. Federal Program funding decreases, put the government in a very constrained position as regards maintenance of existing government structures and services.

Therefore the greatest concern of the Federated States is that the operations funding not be reduced below the $35.137 million requested in the Administration budget. Even with the full $35.137 million for operations, the Federated States will not be able to address its priorities in the area of upgrading government capability or begin work on some of the long-term needs that should be addressed before the start of the Compact. As such, we ask your support in funding these priorities as supplementals to the FY 1982 and FY 1983 budgets. Their priority ranking of the supplemental requests is premised on the appropriation of the full $35.137 million for regular operations.

1. As first priority for supplemental funding, we request $1.739 million dollars for a computerized financial management system. The total amount requested is divided into two years, $939,000 for FY 1982, and $800,000 for FY 1983.

   A computerized financial management system has been in operation for the use of the Trust Territory and its former districts since 1976. It is not feasible to return to a manual accounting system. Yet, in light of the plans for the phase-out of the Trust Territory administration, it is not feasible either to maintain the Trust Territory Data Processing Center. In this environment, it is appropriate for the FSM to initiate its own plans for meeting its need for a financial management system.

   Very basically, we require financial output that informs financial decision making. Budgetary control needs to be tightened. Realistically, these aims will not be attained simply by design and installation of a computerized system. Changes in habits and managerial influences will have to occur. Yet, the proposed system will facilitate change toward greater financial capability and accountability.

Please allow me to briefly describe the evolution of our request since last year.

In the summer of 1981, a U.S. Department of Air Force study team evaluated our need for a computerized financial management system. The team judged that the system is both necessary and feasible in the Federated States. Following this, our private financial consultants designed a first phase by which the system could be implemented. This is the phase for which we request $939,000 for FY 1982, and mainly involves design of manual accounting procedures, computer software application and training of our financial people. The consultants also specified a second phase, for $800,000 for hardware purchase in FY 1983.

The latest development has taken place this spring. Staff at the Office of Territorial and International Affairs, Department of the Interior, has proposed that the office assist the Federated States, along with the other Micronesian governments, in purchasing, installing and implementing a computerized financial management system in FY 1983.

The proposal was significant in that it accepted as feasible the decentralization of financial data processing to the governments, and because it came at a time when the U.S. General Accounting Office was calling for greater DOI technical assistance to the governments to improve their financial management capability. At this point, the FSM is working to learn more about the proposal, either for FY 83 or FY 84. We agree with GAO that our financial management capability needs improvement. The efforts toward greater financial capability and greater accountability can be facilitated with a computerized system.

The FSM leadership has set as its number one priority for FY 83 the set-up of a computerized financial management system, to be in place by the start of the Compact of Free Association. In the Compact period, it is anticipated that our efforts will focus on the FSM's productive economy, rather than on government capability. By the time of Free Association we want to rely on our government's financial management capability. The request for the financial system reflects our intent to get moving on that goal.

2. The second priority we have as regards supplemental funding is for telecommunications. The Federated States requests $2.0 million dollars for FY 1982 to fund an upgrading and expansion of the existing telephone and broadcast systems. An additional $1.1 million is requested for FY 1983 to support the creation of a public corporation. The Corporation will manage all aspects of FSM

communications including investment, maintenance and management of physical assets, expansion of services, customer relations, pricing, revenue collection and use of manpower.

The telecommunications funding that is requested will provide the initial capitalization and management capability that will in turn allow increased demand for communications services. Projections indicate that the volume of telecommunications traffic will eventually be sufficient to self-finance operations.
Together, these improvements will decrease the stigma of Micronesia as a remote area that is nearly incommunicado. The result will be to greatly improve government services and to promote business and related activities both within the Federated States and between the Federated States and the rest of the world.

Telecommunications takes such a high priority because it is one of those areas that we need to start working at well before the start of the Compact. The Federated States wants to take full advantage of the satellite communications capability that will be provided. To do this we need a good terrestrial system plus good business-like management and maintenance capability. This is what our two-year request endeavors to attain. We cannot wait until the Compact to initiate efforts in this area.

3. The third priority among the supplemental requests is for an enhanced maintenance program. For FY 1983, $6.0 million is requested to support a program of training, operations and maintenance in several areas:

power generation and distribution
road, dock and airport maintenance
building maintenance
heavy equipment
sanitation (sewerage, water, drainage)
maintenance control and management
transportation
and, other areas

A program is in the planning stage to contract with expatriate experts in the above fields as needed by the individual FSM states. The experts will spend two years training local personnel in methods of routine maintenance, proper operation to preserve the life of assets, repair and trouble shooting, use and upkeep of a spare parts inventory and replacement decisions, as well as actually performing maintenance tasks. Part of the request will support the costs of materials, supplies, tools and equipment called for in the two-year effort. The training and performance activities will follow the framework laid out in the T.T./DOI series of operations and maintenance studies (May 1981).

Two million dollars of the $6.0 million is intended to enable the purchase of heavy equipment currently being used by CIP contractors in Truk and Ponape. The equipment includes a rock crushing plant, asphalt plant, paving machine, plus cranes, graders, loaders and dozers.

Retaining this equipment will greatly assist road, dock and airport maintenance in these states, as well as providing a source of sand for construction purposes.

The enhanced maintenance capability takes the third priority because both financial management and telecommunications require efforts that start nearly from scratch but which should be completed by the time of the Compact. Effort and funding have already been devoted to operations and maintenance--$1.575 million in FY 1981, $1.427 million in FY 1982, but much more is needed. The requested program, with its heavy emphasis on training, will yield long-term benefits to the FSM's capability to maintain its infrastructure.

4. For FY 1983, $23.0 million is requested for the construction of a capital or government complex for the Federated States. In FY 1982, architectural and engineering funds were appropriated for this purpose. This A&E funding, it should be added, was not forthcoming in a timely manner. The capital construction is one part of our effort at building institutions in the Federated States, and we view it as a U.S. committment. It is critical that the FSM National Government be housed in permanent structures. It is our hope that sufficient funding be provided to start construction in FY 1983, not only on the Capital but on the campus of the College of Micronesia.

5. For FY 1983, $27.4 million is requested for the funding of an array of development and infrastructure projects. In the current FSM environment, with its high unemployment, high dependence on government outlays, very little production, low incomes and poor infrastructure, it is impossible to ignore the need for the funding of a long-term economic development policy. State plans exist. Funding is simply not available. The requested amount reflects what FY 1983 Compact funding for development would be if the Compact were already in effect.

The projects included in the request are for basic infrastructure such as roads, docks and small airstrips; energy resource investments; transportation improvements; productive agricultural and manufacturing efforts; industry manpower development; and agricultural loan bank. All of these project areas are initiatives to permanently decrease our dependence on outside assistance and to increase the viability of commerce. Funding of these initiatives is critical if we are to succeed in the long run.

The House Committee on Interior and Insular Affairs' Report to the Committee on the Budget indicates that economic development should proceed only after the basic infrastructure is in. If this is the sentiment, we urge you to fund those sections of the $27.4 request that provide basic infrastructure, and to fund the remaining projects as possible.

The remaining requests of the Federated Stateshave to do with shortfalls in the regular operations budget. Specifically, in FY 1983, there are some needs in health, education and maintenance and construction that could not be covered by the requested $35.137 million operations budget recommended by the Administration.

Three million three hundred sixty three thousand ($3.363 million) is requested to restore the cuts made in the FSM's original $38.5 million operations budget. Three million three hundred sixty three thousand is the difference between the current request of $35.137 million and the $38.5 million level. The full $38.5 million is needed to maintain existing operations, including medical referrals.

a. In FY 1983, we request $4.64 million to cover shortfalls in the regular operations budget for health. There is $6.1 million in the operations budget for all health activities. Yet this amount will not allow us to address critical sanitation and training needs. The $4.64 million requested here will be used to build up sanitation facilities throughout the Federated States, to train existing personnel, and for communicable disease control. Local sanitation facilities will be constructed using local volunteer labor. The investment is anticipated to dampen the growth of future health operations costs by preventing disease and making the best use of existing manpower.

b. For FY 1983, $4.34 million is requested to address residual needs in the education area. There is $7.547 million in the regular budget for education operations. Yet, a number of problems persist from year to year. While many of the extant problems cannot be completely solved by the infusion of funds, additional funds in FY 1983 could be used with significant impact to offset some problems.

Specifically, the request is for training of school administrators and teachers of various levels, construction of a set of decentralized study environments, and for reading materials. The heavy emphasis is on training. We feel that training of teachers and administrators will strike at the roots of why our educational results are so poor, or why educational levels have been at least three to five years behind the U.S. standard.

c. For FY 1983, $853,000 is requested to cover part of the expenses of two Civic Action Teams in Yap and Truk, two FSM states. The Teams were funded in FY 1981 and 1982 but costs could not be met for FY 1983. However, the work of the Teams in the construction and maintenance areas has proved to be valuable. We ask you to support the Teams with an add-on for FY 1983.

That completes our list of supplemental funding requests.

Two final points should be emphasized.

First, we request you to support the regular budget request for the OICC/CIP work, to provide more basic infrastructure to the FSM. This is the most urgent for our future.

Second, we request your support of our request for a computerized financial management system. This system is intended to provide a tool for FSM management of all other programs and projects.

We realize that the United States is in a time of relative economic turmoil and budgetary restraint. Yet we must reveal our concerns. If you cannot find a means to fund these needs, then at least be aware of what types of things we will have to forego until later in our development.

We are not happy with such a postponement. Our population is increasing very rapidly, economic opportunities in the region are being lost and dependence on the United States is perpetuated. The transition period should be a time of growth and preparation, not of stagnation and limbo.

The needs set forth in this statement have an urgency that can best be grasped by looking at the stage of development and capability of the FSM and at the same time understanding that 1983 is the thirty-sixth year of the Trusteeship.

In the spirit of cooperation and urgency then, I ask you to seriously consider these funding requests for FY 1982 and FY 1983. We want to start working at some of our most tenacious problems. If we succeed, it will be due to the United States assistance.

STATEMENT OF RAYMOND SETIK

Mr. Chairman, I am Senator Raymond Setik, Chairman of the Committee on Ways and Means of the Congress of the Federated States of Micronesia. I am here today, on behalf of my colleagues in the legislative branch, to express our complete support of the statement presented by Deputy Secretary Asterio Takesy. I appreciate this opportunity to appear before your Committee and would like to highlight a number of issues of particular concern to the Legislative Branch.

While I realize this is an era of budgetary constraint, I urge you not to reduce the Administration's Fiscal Year 1983 request for operations. This figure presently does not meet our real needs and any further reduction would make it extremely difficult to maintain, let alone up-grade, the essential services our government provides to our citizens.

For the past three years the Congress of the Federated States of Micronesia has funded audits of the National Government accounts, which I will be happy to provide for the record. These audits help us provide some financial accountability. However, with the planned phase-out of the

Trust Territory's computer center in Saipan, I urge you to give serious consideration to the establishment of a Financial Management System within the Federated States of Micronesia.

Finally, at the time of the separation of the Northern Mariana Islands, the United States made a commitment to fund a capital for the Federated States of Micronesia government. The Federated States of Micronesia has been a constitutional government for three years and requests that the United States' commitment be honored.

As requested, our supplementals have been assigned a priority order. However, please keep in mind that with our young government, all the requests are vital.

Thank you, Mr. Chairman.

CAPITAL IMPROVEMENT PROGRAM

Senator McClure. Thank you very much. Thank you for the statement and for the supplement to it.

In the past when we were trying to develop the 5-year capital improvement program, there was a problem that developed with respect to land acquisition for those capital improvement projects.

What steps have been taken to assure there will be available lands to construct these new projects?

Mr. Takesy. Mr. Chairman, I would like to defer to our national planner.

Mr. Perrin. Thank you, Mr. Chairman. On the state of Ponape, the government has enough land as public lands to secure the land necessary for most of their requirements for hydroelectricity and for the road construction building and power extension that they're looking at.

On the state of Yap, the problems that we've dealt with with the airport I believe have been solved. The other states continue to have a problem with land acquisition and long-term lease of public land use.

Senator McClure. Land is always a problem in an island country where land is so finite and where values attached to that land go beyond the dollar. I'm aware of that and yet if we're to meet any kind of a reasonable construction project schedule, those land acquisition problems have to be solved. Yet, I don't think there's anybody that can solve them except the local governments. I wouldn't even suggest that we try to solve them from here. And I am pleased if indeed we are on Ponape and Yap in a position now to say the land acquisition problems have been solved, but apparently they remain in Kosrae and Truk. Somehow we have to meet that problem head-on.

The administration has requested $750,000 for technical assistance for all of the territories. I think we all recognize that that may be insufficient to meet the needs of all the territories, but it's difficult to determine how much is necessary or how much is advisable. You could assist us in that if you could provide for the record a list in order of priority of all of your technical assistance needs and include a cost estimate and an explanation of each. We're kind of operating in a vacuum without any real guidance as to what the total requirement is.

If you would do that for the record, I would appreciate it.

Mr. Takesy. We'll do that, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. Thank you very much. I have a number of other questions but, as you can tell from the buzzers that just went, I have to go to the floor to vote. I will return in a few minutes and take the testimony from the Republic of Palau. I'm very apologetic to all of the witnesses who have come from such great distance to testify today that the schedule on the floor of the Senate has constrained us in our time this morning, but we'll do the best we can with the time we have. Thank you very much for your testimony.

Mr. Takesy. Mr. Chairman, I would also ask that Senator Setik's statement be made a part of the record.

Senator McCLURE. Of course, it will. I appreciate that and it will be made a part of the record in full. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

June 2, 1982

The Honorable
James McClure, Chairman
Subcommittee on Interior and
Related Agencies
United States Senate
3121 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator McClure:

This is to transmit to you our answers to the questions asked by your committee on the Federated States of Micronesia budget request for FY 1983 and the capability statements in support of our special budget request.

As you are well aware, a sound financial management system is indispensable to a governmental set up. We have expended local precious dollars to acquire professional studies, counseling and advice to establish a viable and adequate financial system in the Federated States of Micronesia. At this juncture we feel confident that a financial management system physically located in the Federated States of Micronesia will, in the long run, be more cost-effective and efficient than the centralized one on Saipan.

Our telecommunications system, as your staff has witnessed it in person, cannot support our present level of commercial and governmental communications demands. As in the case of financial management, we have contracted with professionals in the field of telecommunications to guide our decision. We feel that COMSAT now offers the best option in installing a workable and adequate system of communications that will link our state and national governments and the outside world for the first time. The Public Telecommunications Corporation we have created through statute will be self-sufficient in the short run and profitable in the long run, according to expert professionals in the field.

During previous meetings with your staff, the subject of purchasing equipment from contractors now doing work in the FSM was discussed. I would like to request your support for this. The maintenance of our CIP investment, most especially roads, and future CIP and private sector development cannot be effectively provided without this equipment. The local governments do not have the equipment to do the job and to purchase new ones will be prohibitively costly.

We sincerely appreciate your support in obtaining the funds needed for our special budget request as it embodies real and critically needed funding to overcome the hurdle of transition into self-sufficiency.

Should you have any further questions on any of the answers, please contact me at the Micronesian Washington Office. I will be in Washington, D.C. until June 12. Of course, I would be more than happy to furnish further information from Ponape as well.

Again, we thank you very much for your continued interest in our well being and for your kind assistance.

Sincerely,

Asterio R. Takesy
Deputy Secretary

QUESTION

As you know, the 1976 Five-Year Capital Improvement Program (CIP) concentrated on building a basic infrastructure within Micronesia's district centers. In 1987 a second-level capital improvement plan was proposed to emplace basic infrastructure facilities outside the district center areas. To date, however, the second-level CIP has not been funded. As a result, the three TT governments are requesting approximately $500 million for funding what they consider to be urgently needed projects not identified in the 1976 Five-Year CIP. Are these urgently needed projects part of a comprehensive development plan designed towards economic growth and increasing self-reliance for your country?

ANSWER

In the selection of the projects that comprise the development and CIP/infrastructure portions of our plan, much attention was given to the building of development projects on the base provided by the CIP/infrastructure projects. The two portions of the plan are integrated in this sense.

At present, there are two project listings. The first listing is composed of development and construction (CIP) projects that the FSM would like to see funded in FY 1983, as a complement to the ongoing CIP infrastructure plan. This compilation of proposed projects, if funded, would bring the FSM to Compact level funding for FY 1983, and enable an earlier start on development and self-reliance in the FSM. The projects are part of the Five-Year program for development in each state. The projects involve for the most part manpower development, energy development, productive employment of local resources, business loans, and some construction. Again, these projects are directly related to the formalized development program emerging in each state.

The second CIP listing is comprised of the construction projects or basic infrastructure required for each state as identified by each state governor. This listing consists of the original 5-year CIP program plus new projects that are considered necessary for future social and economic development. All of the projects included in the listing are intended to be completed prior to the termination of the Trusteeship. As such, the listing is termed the Transition CIP Listing. The listing details what is needed if the Federated States is to inherit adequate infrastructure as a base for future development.

The two listings have evolved out of a complex political environment, however, all projects have been intensely discussed and reviewed by people in the substantive fields, and the feasibility of the projects has been certified. Included in the assessment of feasibility was how a given project would fit into or be complemented by other projects. The overall goal of the two listings is to increase productive employment and self-reliance within the context of decent living conditions.

QUESTION

What assurances does the U.S. have that these projects will satisfy the infrastructure needs of your country? How were the projects identified, how were the cost estimates developed, and what analyses and evaluations were undertaken to determine development needs? Has the possibility of using "Capital Account Funds" provided under the Compact of

Free Association been considered as a funding source for these projects?

ANSWER

There is no assurance that the combined development and CIP project listings will satisfy the infrastructure needs of the FSM. While infrastructure projects will contribute to the success of projects emphasizing employment of local resources and economic development, it is difficult to prejudge whether the contribution will be entirely adequate.

A number of areas should be stressed as being critical to the satisfaction of FSM's infrastructure needs.

First, for the development and construction funding under the Compact to be effectively tracked and used to the best result, the projects using that funding must be subject to a good cost accounting system. For FY '82 and FY '83, the FSM is requesting supplemental funds for a computerized financial management system that will be available for management of performance and finances of future CIP projects.

Second, a large part of the CIP contribution to economic development will be due to transportation projects. Transportation needs stand out in the CIP listings and the need is urgent.

Economic development will be much furthered by:

roads - especially island circumferential
and rural farm-outlet roads, with proper
drainage.

docks - primarily outer island and Truk Lagoon sites. Outer island sites in Truk, Ponape and Yap require a centralized deep water dock for each cluster of islands. Smaller docks should be constructed on isolated, individual islands. The chief deep-water port needed is in the Mortlock complex where an airstrip and causeway are also planned. This complex will serve as a "window" to the South Pacific, and will enhance FSM trade prospects.

airstrips - airstrips are needed in Mokil, Pingelap, Ta in the Mortlocks. Airstrips in Wolei and Ulul in the Namonuitos are needed. Air terminals are needed for each state center airstrip.

water/sewer systems - These are needed both for main and outer islands. Reliable water supply and systematic means of sewage disposal will further tourism, the investment environment as well as health conditions.

Third, funding is needed to provide for adequate maintenance of completed CIP projects.

If the Transition CIP package is not completed prior to termination, these projects will be the first priority after termination and will require large investments using "Capital Account Funds". However, this reprogramming of "Capital Account Funds" from productive development purposes to infrastructure will set back the initiation of development aimed at self-reliance and the establishment of productive export-based activies.

QUESTION

Due to past land acquisition problems in constructing projects under the 1976 Five-Year Capital Improvement Program, what steps have been taken to assure there will be available lands to construct these new projects?

ANSWER

The FSM has been in the process of creating an overall development program for 3 years. The planning effort has included community contact across the FSM, and the formation of development planning groups in each state. Individual problems with projects have been tackled incrementally. The thorny problem of land acquisition, while recognized for some areas, has not been adequately addressed yet by the state planning groups.

The National Governors have proposed the following steps:

1. At a defined stage in planning process of a state, comprehensive land-use planning should be undertaken, followed by the purchase of lands for public project use.

2. U.S. financial assistance for land acquisition should be earmarked separately from the general project funding for a given project.

Provisions for compensation to property owners should not be included in the construction project package of funding because this heaves the amount available for these provisions open-ended. All claims for compensation will be settled or disposed of prior to onset of obligation of funds.

QUESTION

Please provide for the record a priority listing of all Capital Improvement projects, including capital construction activities.

ANSWER

FSM priorities regarding capital improvement projects are divided into three tiers or groupings of projects.

The FSM's first priority is that the projects currently on-going or planned under the 5-year CIP plan be completed, within a reasonable amount of time.

These projects provide very basic infrastructure and are essential both in their own right and as catalysts to economic development.

The FSM's second priority is for certain highly-valued economic development projects and for certain construction projects not included in the 5-year CIP plan. These projects sum to $7.7. million, and are a sub-set of the Compact level listing cited earlier and requested for FY 1983.

The projects, not in priority order, are as follows:

Kosrae circumferential road	$1,000,000
Ponape circumferential road	1,217,000
Truk marine resources development	2,740,800
Yap roads development	1,445,900
Kosrae bulk storage facility for oil	120,000
Ponape, outer island airstrips	225,000
Truk agricultural development	700,000
Yap agricultural and forestry development	309,100
	$7,757,800

These projects are detailed in the FSM's FY 1983 Supplemental Budget.

The FSM's third priority is for the remaining $19.7 million in economic development and construction projects, beyond the $7.7 million in top priority projects.

Apart from the three top CIP priorities is the FSM government caital complex.

The completion of this facility is very highly valued in FSM policy. However, since the project has been admitted by the Administration as an obligation of the U.S., it does not enter into our priority listing. Rather, the obligation should be fulfilled as part of the process of establishment of a constitutional government from four former Trust Territory districts. The requested amount associated with the project is $23.0 million.

QUESTION

As you are aware, the Administration has requested $750,000 for technical assistance for all of the territories. While we recognize this may be insufficient to meet the needs of all the territories, it is difficult to determine how much is necessary of advisable. For the record, please provide a list in order of priority of all your technical assistance needs, and include a cost estimate and explanation of each.

Along the lines of technical assistance, what are your needs for assistance in financial management? How does your need in this regard compare to your other technical assistance needs?

ANSWER

FY '82 Technical Assistance Listing

A. Financial Management System

For FY '82 and FY '83, the FSM has requested supplementals totaling $1.739 million. This amount was requested to support the development of a computerized financial management system. The system is intended to replace the Trust Territory Data Processing Center, which the FSM considers unsatisfactory for current and future financial control needs.

The proposed system will consist of a set of 5 powerful minicomputers, one for each state and a larger version for the National Government. A comprehensive, municipal-scale software package will be used. The $1.739 million requested also includes training of local personnel, adaptation of the system to FSM needs, and specifications of all other related system procedures.

In the interim before the computerized system is fully funded, the Federated States has a need for technical assistance relating to the system.

FY '82 technical assistance needs in this area include:

1. Contract to select and adapt a municipal software package to FSM needs. This could be handled on a contractual basis.
-----------------------------------$100,000

2. Training to familiarize FSM government employees with the workings of the financial software. Trainees would receive training in data input procedures, use of computer output, reconciliation of output and system conversion.
-----------------------------------$ 75,000

3. Training to familiarize FSM managers with computer and software capabilities and to elicit their view points of reports and procedures that should be incorporated into the system.
-----------------------------------$ 20,000

Other financial management system needs are requested for FY 1983. Relative to other technical assistance needs of the FSM, financial management takes the top priority.

B. Public Works/Operations and Maintenance

For FY 1983 the FSM requested a supplemental of $6.0 million to fund the hire for 2 years of a number of expatriate experts in operations and maintenance areas, and to purchase urgently needed equipment.

The experts are to train local personnel in methods of operating and maintaining equipment and facilities in the areas of power generation, heavy equipment, hospital equipment and facilities, sewage and water, transportation facilities and equipment and other areas.

A start on this program could be made in FY '82 using technical assistance funding. Specifically, there is need for a team of experts to spend a minimum of 3-4 months in each FSM state to:

1. Set up controls over work scheduling and manpower use.
2. Set up adequate inventory controls.
3. Set up equipment and facilities inspection schedules and history files, including checklists for each type of equipment and facility.
4. Establish control over work requests.
5. Assess and document training needs.

In addition to the work of the team in assessing and documenting training needs, specialists should be hired to conduct training in the management systems established by the team, and to initiate training in actual repair and maintenance work.

Total Cost for FY '82 is estimated at $150,000 - $200,000.

C. Hospital Administration

Technical assistance is needed in the area of hospital administration to advise local management on improved methods of manpower use and scheduling, inventory control, hiring and disciplinary practices, record-keeping and responsibility center accounting. One expert each is needed for the Ponape and Truk Hospitals.

------------------------------------$ 80,000

D. CIP Architech/Engineer

The Federated States National Government has need for a skilled architech/engineer to provide feasibility and cost estimates on aspects of the CIP plan and to assist in contract management of projects.

------------------------------------$ 45,000

FY '83 Technical Assistance Needs

A. Financial Management System

Depending on the status of computer hardware acquisition, further technical assistance is needed to continue the training and conversion tasks, and to document the total set of financial management procedures.

----------------------------------$ 200,000

B. Telecommunications

Technical assistance is needed in the area of rate-setting, tarifs and logistics relating to satellite communications and telephone links.

----------------------------------$ 40,000

C. Public Works/Operations and Maintenance

Given the FY '82 technical assistance on the public works management system and training needs, further funding is needed in FY '83 to hire the experts to implement the training program in the context of on-the-job operations and maintenance work. The program will last two years.

----------------------------------$2,000,000

D. Manpower Training Apprenticeship Program (MTAP)

MTAP provides training to FSM youths in technical areas such as engine operations and maintenance, electricity, carpentry, metal work, heavy equipment maintenance, drafting and engineering and other reas. The program graduates journeymen. MTAP is administered by the U.S. Navy in Guam. In FY '82. the FSM contribution to the program was $150,000.

----------------------------------$ 150,000

E. Hospital Administration

Second year funding is requested for the hospital administration persons begun under the FY '82 technical assistance program, above.

-----------------------------------$ 80,000

F. Vocational Education Curriculum

Technical assistance is needed in the area of curriculum for vocational education. Specifically, assistance is needed in:

a. Set-up of curriculum and qualifications.

b. Specification of the sources of vocation educators to work in the FSM.

c. Assessment of equipment and text purchases necessary for vocational education programs.

d. Specification of the phasing of vocational education programs.

e. Detailing the means of assisting graduates to become self-employed in their vocations.

-----------------------------------$ 100,000

G. Refrigeration/Freezer Technician

All states are beginning to develop their fisheries potential. Freezers, ice machines, and refrigeration units will be dispersed on main islands, and on outer islands. One technician, for the four FSM states, is needed to assist in the operation, maintenance and local technical training in this area.

-----------------------------------$ 30,000

Other technical assistance needs in the areas of communications, transportation, agriculture, marine resources, forestry and tourism promotion will be detailed on Ponape and forwarded to the Committee.

QUESTION

Do you currently have a deficit carried forward into fiscal year 1982? If so, how much? Based on the Administrations 1983 budget request, do anticipate either increasing or decreasing this deficit? If so, by how much?

ANSWER

The Fiscal Year 1982 budget of the Federated States of Micronesia has not been reduced or offset by FY 1981 or prior year deficits. There was an operating deficit incurred in FY 1981 amounting to over two million dollars. This deficit was to be absorbed by the Trust Territory Headquarters or the Department of the Interior. The deficit that was incurred was largely due to overexpenditure in the health services, transportation and public works areas, where services could not be easily curtailed when alloted funds ran out.

Strict control over FY 1982 operations expenditures has been instituted in every state to operate within available funds. However, health, transporation and public works are expected to run short of alloted funds before the end of the fiscal year. In the area of health services, the cost of medical referrals has continued to increase, despite efforts to reduce its cost. Our current forecast indicates that total medical referral cost will exceed budgeted funds by at least a million dollars in FY 1982. In addition, medical supplies are in constant short supply due to limited funds.

It is difficult to estimate what, if any, overall deficit will be incurred in FY '82 or FY '83. It is clear that, without supplemental funding for health services and education, little upgrading of services, preventive health care or teacher upgrading will be provided.

QUESTION

Many have suggested that perhaps the biggest downfall of the current CIP program is the lack of training provided to the native population. While some training can be provided through assistance in financial management and other technical assistance, it has also been suggested that training of local personnel be tied to each of the forthcoming capital improvement project contracts. What would your reaction to such a requirement? Can you provide for the record a list of training needs? Please include in this list an indication of whether each need can be met during future construction activity or whether it will take a specific training effort.

ANSWER

A. The FSM, and before it, the Congress of Micronesia, has long supported greater training of local personnel in the context of CIP.

The FSM endorses any appropriation provisions that would obligated to train local personnel. Since most local labor utilized by CIP contractors is in unskilled or semi-skilled jobs with limited opportunities for training, a specific listing of training areas should be made, for each project. The training areas should then be built into the construction contract, including training at the foreman level and above.

B. In addition, job rotation for the unskilled workers should be practiced, so that workers are exposed to a variety of tasks and uses of tools, especially mechanized tools and equipment.

While too many restrictions on contractors would lead directly to an increase in contract costs, the FSM would like to see some accommodation made in future CIPs for greater emphasis on training and job rotation.

While on-the-job training in the context of CIP is needed, it does not negate the need for vocational education programs or scholarships for trades and engineering. These needs will remain great in the FSM. Specific training efforts outside of CIP contractor training will be needed in the future.

QUESTION

Can you outline for the Committee the economic development plans you have so far established? Are these plans firm or would you consider them still in the development stage?

ANSWER

FSM economic development planning has not yet reached a point where there is a single, definitive, internally consistent plan for the entire country.

The FSM planning program is organized around state planning groups. These groups are composed of executive, legislative and municipal leaders. The single plan is growing out of the products of these and other working groups.

Several constituent items of the plan have been completed or are in process. The titles and status of these items are as follows:

Project		Status
1. Federal Program Administration		Published, being reviewed by executive and congressional leaders.
2. Five-Year Energy Plan		Published
3. Interim Disaster Assist. Plan		At printers
4. FSM National Yearbook of Statistics		Published
5. State Yearbooks of Statistics:	-Yap	Published
	-Kosrae	At printers
	-Ponape	At printers
	-Truk	At printers
6. State Development Plans:	-Truk	At printers
	-Yap	At printers
	-Ponape	Re-writing final draft
	-Kosrae	Re-writing final draft
7. FSM National Development Plan (A systhesis of state plans)		Being drafted
8. FSM Manpower Development Plan		Editing final draft (Completion Date: June 1982)

QUESTION

Have you established any specific linkage between your economic development plans and the construction of your capital improvement projects? Can you provide for the record a narrative of the linkage you have developed in this regard?

ANSWER

In FSM's plans, linkages have been established between economic development plans and the construction or existence of capital improvements. These linkages take the general form of prerequistes: for economic development or social overhead projects to be viable, certain infrastructure must be in place or in the process of construction.

The completion of construction will affect the phasing of the economic development and social overhead projects.

Each of the state 5-year plans have identified the capital requirements for related projects. The FSM National Plan will include a general overview of CIP projects and their use of resources.

Specific principles of linkage are as follows:

a. agricultural development is premised on circumferential roads on major islands, and dock complexes for clusters of outer islands.

b. tourism development is premised on the completion of road paving, sewer systems, air terminals and a telecommunications system.

c. marine resources development is premised on dock projects and warehouse facilities. The actual number of dock/warehouse projects to be completed is important because FSM plans to push future fish production up to an optimum volume.

d. social overhead capital (schools, clinics, etc.) development is premised on improved transportation and rural electrification.

All of the economic social overhead projects require more than the CIP areas indicated, specifically training programs and sound financial management.

A narrative on specific linkages between the Transition CIP projects identified by the FSM Status Commission will be prepared on Ponape and mailed to the Committee.

QUESTION

Have you conducted a study to determine the effects of the loss or reduction of various Federal programs? If not, do you plan to do so? If so, briefly describe the results of the study or your preliminary findings.

ANSWER

Some preliminary work has been conducted to determine the effects of the loss or reduction of U.S. Federal programs.

This loss is of extreme concern to the FSM because of the possibility that Federal program cuts will result in significant additions to the burden of the constitutional government in the transition period, and possibly decrease in some degree the ability of the government to perform transition tasks.

The FSM is also concerned about the continuation of services now provided by Federal program funds, after the onset of Free Association.

The preliminary work focused on producing an up-to-date listing of programs now in use. A partial listing of the dollar flow into the FSM from U.S. Federal programs has been given to the Committee. A more complete listing of dollar flow, as well as estimates of change in the flow over time, will be prepared for the FSM Status Commission and will be forwarded to the Committee from Ponape.

QUESTION

When did you receive notification from the Department of the Interior to prepare your budget justification for fiscal year 1983? How long did you have to prepare this justification before you were required to submit it to the Department?

Do you feel this turn-around period was adequate to prepare a budget and budget justification representative of your needs? If not, what do you feel is the minimum time necessary to prepare such documents more representative of your needs?

ANSWER

The Federated States National Government received notification of the final budget allowable for FY 1983 in early January, 1982. The Trust Territory officials informed the FSM at that time that the completed, consolidated budget with justifications was due approximately 1 week later.

This turn-around period was not adequate to prepare a budget and set of justification representative of FSM needs and adhering to FSM political processes.

Any consolidated FSM budget must go through 3 internal phases, as follows:

1. preparation and distribution of budget call materials to the FSM states by the National Government.

2. Preparation of the budget by the state executive branch and presentation to the state legislature.

3. receipt of state materials by the National Government, review, possible adjustment and consolidation.

The minimum time needed to complete this process is 6 weeks.

The FSM has the intention of streamlining the process by speeding activity at the national government level. This will be done by using a microcomputer with word processing capability.

QUESTION

The TT governments, of course, own and operate their public utility systems, such as power, water, sewer, and telephone. Currently, the user fees charged customers for these services are far below production costs. While the governments agree user fees need to be increased, they see this as being a long-term process. Until utility rates are increased, however, you will likely rely heavily on U.S. subsidies to pay for the cost difference.

In the past the electrical fees charged customers were approximately one-fourth to one-third the cost of production. When was your last rate increase, how much was it, and how does the new rate compare to current production costs? Do you have any plans for increasing utility rates to cover the costs of production? If so, when do you expect these rate increases to take place and do you foresee any problems associated with these increases?

What were your total billings and collections for electrical consumption compared to the total cost of power production in 1981? Is the difference between collections and production costs being subsidized by the U.S., and if so, how long will you continue to need this subsidy?

What are the dollar amounts of your delinquent utility accounts over 60 days old? What have you done in the past, what are you doing now, and what do you plan to do in the future to collect the delinquent accounts? What were the results of your past actions to collect delinquent accounts?

Do the government departments pay for their utilities? If not, how do you promote conservation without accountability?

Have you considered establishing independent agencies to get rates and manage the utilities? Where such agencies have been established what difference has it made in establishing rates and improving cost recovery?

ANSWER

Utility rates in the FSM have been and will continue to be highly subsidized. The low average income of FSM citizens does not allow utility production to be substantially supported by user charges.

It is anticipated that the impact of economic development projects will be felt in the numbers of people employed and increases in household income.

This uplift will in turn translate into increased subscription to utilities. At this point, with increased household incomes and more households sharing the system's cost, it will be feasible and necessary to make utility consumers pay an increasing share of utility production costs.

This point in time will not be reached in the near future.

No special problems are envisaged to be associated with these future rate increases, except those related to the financial management capability of the FSM, for which planning is underway.

As noted above, subsidies for the electric utilities will be needed for some time in the future.

To collect delinquent accounts, current action involves devising new record-keeping and billing procedures within the state utility offices. It is expected that the FSM's planned computer capability will be used in this area.

Government departments do not now pay for their utilities, except for the National Government on Ponape.

Conservation is practiced in the context of small governments, in which excesses are quickly observed and remedied.

Independent utility agencies to set rates and manage utilities are envisaged for the future point of time when both incomes are high and utility system subscription is broader.

Numerical data addressing the Committee's questions on utilities will be made available by the end of FY '82.

QUESTION

Wages and employment in the public sector in Micronesia are above those for the private sector. In 1979, there were some 11,350 Micronesian public employees with an average annual wage of $2,904. In the same year there were 7,776 Micronesian employees in the private sector with an average annual wage of $1,663 per year. Have changes been made in this situation since 1979?

ANSWER

The 1979 statistics are the most recent that are currently available. We anticipate that more up-to-date statistics will be compiled soon. These can be provided when they become available.

The lack of data in this area is yet another justification for the FSM's need for a computerized financial management system. In principle, comparative data on wages in the public and private sectors should be derivable from tax data. Information on the rate of change of the two wage levels could be derived in the same manner.

Budgetary constraints since 1979 have allowed only marginal increases in the public sector wage level. The Federated States of Micronesia has neither an established minimum wage nor a published prevailing wage.

QUESTION

What progress can be made toward economic development if this situation is allowed to persist? Will your government be willing to curtail the growth of public sector wages and employment in order to apply resources toward economic development?

ANSWER

Progress in the area of economic development will depend on factors such as the extent of usable capital, infrastructure progress, capable fiscal management of development projects, training in vocational and maintenance skills, adequate transportation and communications and an array of other factors.

As regards the public-private wage disparity, the important factor is the prevailing wage for new jobs coming available. Since the public sector job market has reached near saturation, the great proportion of new jobs will be in the private sector, and at an appropriate wage rate.

This is not to deny that public sector wage growth must be curtailed. This certainly must be done, along with slowing the growth in government jobs.

One course of action involves a bill presently pending before the National Government Congress which would reduce the growth of wages for National Government employees. It is anticipated that this legislation will set an example for state governments and make it easier for state leaders to hold down salaries.

The National Government Congress is also examining legislation that would alter benefits associated with National Government employment. Reductions in the benefits would further reduce the overall disparity between public and private compensation. The proposed legislation, if enacted, would make available additional money for locally funded economic development.

QUESTION

The Trust Territory Social Security System will continue as a unified system until the Trusteeship ends. While it could continue as a unified system, the three TT governments have stated a preference for their own separate programs. They further contend that the United States should fund so-called "prior service benefits". These benefits were extended to persons who worked 5 years or more for the Trust Territory Government or the U.S. Navy prior to July 1, 1968, when the Trust Territory Social Security System began functioning. Will your government be able to afford under separate systems the same level of benefits at the same level of contributions as under the present unified system?

ANSWER

Preliminary discussions with an United Nations International Labor Organization actuary indicate that three separate systems could operate with the same level of benefits. The present system has scheduled contribution increases and, of course, the three systems would have to likewise increase contributions over the years as population increases. All discussions on the devolution of the Trust Territory Social Security System are premised on the position that prior service benefits are an obligation of the United States and are not included in plans for devolution.

QUESTION

Can the three governments share the administrative cost of a unified system rather than incurring the higher costs of separate systems?

ANSWER

While the intent of the devolution is to establish three separate systems, one possible option is to pool the Social Security System Retirement Funds of the three separate systems for investment. This would reduce some of the administrative costs and increase the return on investment.

QUESTION

Does your government have sufficient numbers of trained personnel to be able to run separate social security systems?

ANSWER

The current system's administration is staffed primarily by Micronesians. This staffing level is anticipated to be sufficient. Training in specific areas (investment management, computer skills) will be necessary for some personnel.

QUESTION

What technical assistance has been provided and needs to be provided to train social security personnel?

ANSWER

The Trust Territory has obtained the services of the United Nations International Labor Organization. A report on the devolution of the system is to be delivered in June. It will provide a schedule for devolution covering legal, financial and training aspects. Training may be handled through the present Social Security administration.

June 10, 1982

The Honorable
James A. McClure, Chairman
Subcommittee on Interior and
Related Agencies
United States Senate
3121 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

In preparing the responses to your written questions on our Fiscal Year 1983 budget request we may have done you a disservice, and certainly ourselves, by confining our comments to the questions. In so doing we may have given you the impression that the College of Micronesia is no longer an item of high priority to the Federated States of Micronesia. As you will recall, our past testimonies before concerned committees of the U.S. Congress we have consistently stated that the College of Micronesia was an essential, integral part of our development effort and it remains to be so. COM is the only institution of higher learning in Micronesia that is tailored to our needs and plays a critical role in our young nation's manpower development plans, which would equip our people with the skills necessary to foster social and economic advancement.

The College of Micronesia architectural and engineering design is included in the A&E funds appropriated for the FSM Capital. It is our desire to proceed with the two projects together in order to reduce contractor's mobilization and construction costs. The two projects are on adjacent sites, and therefore could simultaneously be constructed.

Our current estimate is that $6,000,000 will be needed to construct the facilities for the campus. As with the Capital, we can start the project with $3,000,000 with the balance authorized for the following year. Your assistance in securing the funds for our college is most appreciated.

Again, we thank you for your support and sympathetic effort on our behalf.

Sincerely,

Asterio R. Takesy
Deputy Secretary

SUBCOMMITTEE RECESS

Senator McClure. The subcommittee will stand in recess until 1 o'clock.

[Whereupon, at 10:20 a.m., the subcommittee was recessed, to be reconvened at 1 p.m. the same day.]

(Afternoon Session, 1:25 p.m., Thursday, May 13, 1982)

DEPARTMENT OF THE INTERIOR

Territorial Affairs

Republic of Palau

STATEMENT OF HON. ALFONSO R. OITERONG, VICE PRESIDENT/MINISTER OF STATE

ACCOMPANIED BY:

HON. HARUO N. WILLTER, MINISTER, DEPARTMENT OF ADMINISTRATION
VICTORIO UHERBELAU, SPECIAL PRESIDENTIAL ASSISTANT
YOICHI I. RENGILL, SPECIAL ASSISTANT TO THE PRESIDENT
SENATOR EDOBO TEMENGIL

PREPARED STATEMENT

Senator McClure. The committee will come to order.

This is the continuation of the subcommittee's review of the fiscal year 1983 budget requests of the Administration of Territories and the Trust Territory of the Pacific Islands.

We heard from each of the territories this morning, with the exception of the Republic of Palau. We will hear witnesses from the Republic of Palau at this time.

Come forward and take a seat at the table, please.

Your entire statement will be placed in the record at this point. I think there are some supplemental materials that are attached to the statement, and those attachments will also be made a part of the record following your statement.

I would invite you to summarize the statement. It's a relatively short one. You may give it as you see fit. Thank you.

[The statement follows:]

STATEMENT OF ALFONSO R. OITERONG

Mr. Chairman and distinguished members of the Committee, I am deeply honored to appear once again before you to testify on the funding requirements of the young Republic of Palau for fiscal year 1983. Approximately one year ago today, as head of Palau Budget Delegation, I appeared before this Committee to explain fiscal year 1982 budgetary needs of the Republic. At that time, we were only five months old as a constitutional government undergoing re-organization. I am happy to report that our house is in order with the installation of the cabinet. Sitting with me today is Mr. Haruo Willter, the Minister of Administration whose primary responsibilities are the budget and finance of the Republic.

Last year, we brought with us to these hearings a video tape to assist us to demonstrate our basic funding needs. Today we have no video tape as to do so again would take up too much of your valuable time. I am happy to note instead that Chairman John Seiberling and members of the House Subcommittee on Public Lands and National Parks, spent two weeks in Micronesia to see for themselves the situation at close range. We are indeed grateful for this Congressional tour, Mr. Chairman, as certain of your colleagues now have first hand knowledge of our unique circumstances, and can better appreciate our fiscal needs and requirements.

Immediately after the House visit, Messrs. Frank Cushing and James Beirne of the Senate Committee on Energy and Natural Resources likewise paid us a visit to follow up on the progress of the five year capital improvement projects in the Republic. About two months ago a two man team consisting of Mr. Paul Sage and Mr. Scott Gudes of the President's Economic Adjustment Committee within the U.S. Department of Defense came to Palau to look into our economic development programs. Again, several weeks ago, an eight member mission from the Congressional General Accounting Office conducted an inspection tour of the

Republic. Their preliminary assessment of our overall needs are rather revealing. We look forward to the GAO final report in October and ask your Committee to take a close look at their findings and recommendations.

We believe, Mr. Chairman, that these fact finding missions by both United States Congress and agencies of the Executive branch of the Federal government are a living testimony of your government's genuine interest to assist us. We believe also that their observations will provide you a much clearer picture of our fiscal predicament than a narrower image by any visual aid that we may employ. It is, therefore, incumbent upon us to jointly translate their findings and recommendations into actions and implementations.

As I indicated last year, Mr. Chairman, we ask for funds from you again this year not unmindful of the severe budgetary constraints that the United States itself is faced with. As such we are keeping our requests to the bare minimum as we appreciate the financial sacrifices your own constituents are undertaking.

With these general comments, Mr. Chairman, I wish to insert into the record the detailed narrative justifications for the Republic of Palau's fiscal year 1983 budget requests. And if you have specific questions you wish to ask, please address them to Mr. Willter, our Minister of Administration. Thank you for giving us this opportunity to testify.

SUPPLEMENTAL MATERIALS PRESENTED
BY THE REPUBLIC OF PALAU
FOR
FISCAL YEAR 1983

OPERATIONS-FISCAL YEAR 1982

Mr. Chairman, first we would like to thank the U.S. Congress, and particularly this Committee, for appropriating over $2 million for the Republic of Palau as add-ons to the FY 1982 budget request submitted by the Department of Interior. Even though we have not actually received some of these funds, we are working with the Office of the High Commissioner for immediate release of the funds so they can be applied to the critical health and safety needs for which they were earmarked. We assure this Committee that the funds will be used for the purposes for which they were appropriated.

While we have reduced the levels of obligation for all other areas in an attempt to balance our budget, we will have an increase of almost $2 million in personnel services in FY 1982 due to payment of a Cost of Living Allowance (COLA) to government employees. This means that we will incur a deficit of over $2 million in FY 1982.

OPERATIONS-PERSONNEL COSTS

As you are aware, we have, since September 8, 1981, been faced with a government employees' demand of a 100% salary increase which means a $2.50 per hour level beginning October 1, 1982. To date we have resisted these demands. We were fully aware of the overall budgetary constraints of the United States at the time of negotiations with the employees and of our own financial circumstances. However, some concessions had to be made in order to safeguard against further destruction of government property, maintain order and deal with legitimate complaints.

The government employees demand for increase in salaries was not without merit. Until October, 1980, the hourly minimum wage was still 85 cents. On the other hand, the prices of basic commodities had skyrocketed due to inflation and increased shipping charges. On October 1, 1980, the hourly minimum wage was raised to $1.25 and, on October 1, 1981, as a result of the strike, a cost of living allowance was granted, creating an equivalent minimum hourly wage of $1.95. Considering the high cost of basic commodities and building materials in the Republic of Palau, the $1.95 minimum wage is well justified in the minds of our people.

As a result of this decision made by our President and the leadership of the Olbiil Era Kelulau, we were summoned last month by the Assistant Secretary of the Interior for Territorial and International Affairs who told us that the Department was not in the position to assist in the funding of the salary increase. Mr. Chairman, we recognize our responsibilities and have expressed ourselves on this matter to Interior officials. But we ask you to pause for a moment to review some of the underlying factors which preceded this decision.

One of the basic complaints heard from many people, including those who helped create the problem, is the size and the cost of the present government. We, the Palauans, do not disagree. It should be made clear, however, that the present size and cost of our government is the result of a thirty seven year build-up by the former District government, controlled by the United States, which was inherited by the newly born constitutional government of the Republic a little over a year ago. But change for the better, Mr. Chairman, can not come about overnight, especially with a very limited budget and a lack of an established economic base. Moreover, we cannot afford unrest in this sensitive period during which we are trying to forge a new relationship with the limited States. Accordingly, we ask you to consider fulfilling the basic needs of employees inherited from an inefficient U.S. system of government. We assure you we are working to make our government efficient, but it will take some time.

CAPITAL IMPROVEMENT PROGRAM

While we are requesting $14.65 million for a capital improvement program, mainly to cover the so-called shortfall from the original scope, we are not certain as to just how much more money is required to complete the five year Capital Improvements Program. Therefore, we are in complete agreement with the General Accounting Office recommendation that a complete survey must be done to determine what needs to be done in order to properly complete the five year CIP program. We are ready to work with the Department as soon as the team is dispatched to Palau.

TECHNICAL ASSISTANCE PROGRAM

We are requesting $1 million for technical assistance program to assist us in organizing the new government and to train our people to become more efficient in managing our government. Again, we agree with the GAO visiting team that there is just not enough trained people in Palau to run an efficient government.

REPUBLIC OF PALAU
FY 1983 PROPOSED BUDGET ADD-ONS
($000)

ACTIVITY	REAGAN'S BUDGET REQUEST	REPUBLIC OF PALAU'S PROPOSED BUDGET ADD-ONS	REVISED BUDGET REQUEST OF PALAU
I. Operations	$ 9,575	$ 2,000[1]	$ 11,575
II. Special Programs:			
A. Transition	---	2,400[2]	2,400
B. Technical Assistance	---	1,000[3]	1,000
C. Civic Action Team	---	400[4]	400
D. Enhanced O&M	---	2,000[5]	2,000
Sub-Total	$ 9,575	$ 7,800	$ 17,375
III. CIP	---	14,650[6]	14,650
Total	$9,575	$22,450	$ 32,025

1/ Needed to continue COLA or raise the minimum wage to $1.95 per hour in FY 1983.

2/ Consists of $1.0 million for status negotiation; $1.0 million for land boundaries identification; and $400,000 for purchase and installation of a small computer system for Palau.

3/ Consists of $500,000 for implementation of the economic development program; and $500,000 for organization and development of Public Administration Plan and improvement of financial management.

4/ Needed to continue Civic Action Team in FY 1983.

5/ Based on formula used by OICC: it would take at least 10% of the total value of CIP in place for maintenance of the same.

6/ Consists of $6.95 million for shortfall on the five-year CIP program and $7.7 million for needed projects which were not included in the five-year CIP program.

Note: The following requests for additional funding were prepared by the Republic of Palau and submitted directly to the Committee. They are not consistent with the program of the Department of the Interior or the President's FY 1983 budget and therefore are not supported by the Administration.

PALAU ROADS IMPROVEMENTS

1. AGENCY : Department of the Interior/Territorial and International Affairs

2. APPROPRIATION : Trust,Territory of the Pacific Islands

3. ACTIVITY : Republic of Palau

4. PROPOSED AMENDMENT : $1,800,000 to fund CIP shortfall in the scope of on-going Palau roads improvement project.

5. CURRENT PROGRAM : In FY 1981 the US Congress appropriated $1,783,000 for certain roads improvements in Palau scoped as follows: (A) Drainage improvements for certain existing road segments; (B) Hospital/Koror Elementary School roads; (C) T-Dock road; (D) Ngerchemai/Harris Elementary School road; (E) Ngerbeched roads; (F) Mokko roads.

   This project is presently about 90 percent designed and is scheduled to be awarded for construction in August 1982. Present project cost estimates far exceeds available funds. Additional funding in the amount of $1,800,000 is required to accomplished all the elements of the project.

6. AMOUNT BUDGETED : FY 1981 - $1,783,000.

7. FEASIBILITY : If the requested increase were granted the total scope of the project as outlined in paragraph 5 above can be accomplished. Present funding will only enable the construction of part of the project scope, namely elements (A), (B) and (C) of the scope. The proposed amendment of $1,800,000 will allow construction of the rests of the project elements, that is elements (D), (E), and (F). The results of these improvements will provide additional all weather paved roads, control of drainage problems, reduce dust control problems, enhance safe movement of vehicles traffic in the densely populated and commercial areas; enhance economic development within Koror, and reduce road maintenance costs by eliminating the constant repairing of potholes. Government and private vehicles damage caused by rough unpaved roads and corrosion of the metalic bodies of vehicles caused by the saltwater in the dredged coral used as road repair materials should also be substantially reduced.

8. CAPABILITY : The proposed increase funding will be utilized to supplement funds already on hand in order that all the elements of the road project as scoped can be accomplished by a single construction contract thus realizing economy of scale. A total funding in the amount of $3,583,000 is estimated sufficient to accomplish the project as scoped. Additional funding will be requested in future years for improvements of other road segments just as important however not designed at this time.

9. OUTLAY EFFECT : The FY 1981 appropriation of $1,783,000 is now on hand. This FY 1983 supplemental request of $1,800,000 is to supplement the funds already on hand to allow the necessary construction contract in late October 1982.

PALAU WATER SYSTEM IMPROVEMENTS

1. AGENCY : Department of the Interior/Territorial and International Affairs

2. APPROPRIATION : Trust Territory of the Pacific Islands

3. ACTIVITY : Republic of Palau

4. PROPOSED AMENDMENT : $2,000,000 to fund CIP shortfall in the scope of on-going Palau Water System Improvement Project.

5. CURRENT PROGRAM : In FY 1981 the US Congress appropriated $3,550,000 for improving the Palau water system scoped as follows: (A) Development of Gaden River as an additional water source to alleviate the problem experienced every dry season when the present supply source has been proven extremely inadequate. Work includes construction of a diversion dam at Gaden River, pump station, 13.8 KV electric power line to pump station, and 12-inch water transmission main from Gaden River to existing Gihmel Dam; (B) 16-inch gravity main from Gihmel River to Airai water treatment plant; (C) minor improvements at WTP: (D) Installation of a 6-inch transmission main to Airai Village; (E) Construction of a chemical pre-treatment facility at WTP: (F) Improvement of Ngermid pump station.

   The above scope of work has been designed and the project is scheduled to be let for bid in July 1982; however, the cost estimate of the project as scoped indicate a shortfall of $2,000,000. The $3,550,000 will only be enough to fund those items of work in (A) and (B) above. The additional $2,000,000 requested herein is for items (C), (D), (E) and (F). Without a chemical pre-treatment facilities, U.S. Public Health and EPA standards cannot be met with present mode of water treatment.

6. AMOUNT BUDGETED : FY 1981 - $3,500,000; this additional $2,000,000 is requested for items (C), (D), (E) and (F) in paragraph 5 above.

7. FEASIBILITY : As mentioned in paragraph 5 above, the $2,000,000 increase is requested to accomplish the following elements of the project which cannot be realized because of insufficient funds in the present appropriation: Construction of a 6-inch transmission main to Airai Village to serve an increasing population of 847 people; construction of a chemical pre-treatment facility at the existing water treatment plant; provide minor renovation at the WTP; improve the Ngermid pump station.

   At present only industrial type filters are in use at the water treatment plant, therefore the quality of water produced at the WTP does not meet both US EPA and Public Health Standards. In fact, Palau Bureau of Health Services advise the general public to boil their drinking water.

8. CAPABILITY : The proposed increase funding will be utilized to supplement funds already on hand in order that all the elements of the water improvement project as scoped can be accomplished by a single construction contract thus realizing economy of scale. A total funding in the amount of $5,550,000 is estimated sufficient to accomplish the project as presently scoped; however, additional funding will be requested in future years for improvements of water systems in the various communities on Babelthaup Island and outer islands.

9. OUTLAY EFFECT : The FY 1981 appropriation of $3,550,000 is now on hand. This FY 1983 supplemental request of $2,000,000 is to

supplement the FY 1981 appropriation to allow the awarding of a construction contract in late October 1982.

PALAU ELECTRICAL POWER SYSTEM IMPROVEMENTS

1. AGENCY : Department of the Interior/Territorial and International Affairs.

2. APPROPRIATION : Trust Territory of the Pacific Islands

3. ACTIVITY : Republic of Palau

4. PROPOSED AMENDMENT : $650,000 to fund CIP shortfall in the scope of on-going Palau Electrical Power System Improvement Project.

5. CURRENT PROGRAM : In FY 1981 the US Congress appropriated $1,200,000 for improving the Palau electrical power system scoped as follows: (A) Extension of 13.8KV overhead circuit from Airai water treatment plant to Airai airport; (B) Recalibration of existing power plant switchgear; (C) Increasing the capacity of the existing Malakal substation which has become inadequate; (D) Relocate the existing 13.8KV overhead circuit feeder along side the Koror-Malakal causeway; (E) Upgrading the 13.8KV feeder from Medalaii to Ngermid; (F) Upgrade distribution system in Koror, Malakal and Arakabesan areas; (G) Provide certain improvements at Malakal Power Plant.

   Out of the $1,200,000 available for this project, $400,000 has been committed for accomplishing scope (A) above. Current cost for the rest of the project is estimated at $1,450,000 or a shortfall at $650,000.

6. AMOUNT BUDGETED : FY 1981 - $1,200,000.

7. FEASIBILITY : The $650,000 supplemental request is mainly to accomplish scopes (F) and (G) under paragraph 5 above. The existing electrical power system in Koror, Malakal and Arakabesan is old, parts of which date back over 30 years ago. The system has grown without the benefit of proper engineering and must now be corrected. Many existing conductors and transformers have become inadequate in capacity and must be replaced. Many poles and hardwares are deteriorated and must be replaced. The old section of the existing Malakal Power Plant structure needs rehabilitation. In addition, exhaust fans are required for the power house.

8. CAPABILITY : It has been mentioned that $400,000 out of the FY 1981 appropriation already available has been committed to accomplishing (A) Element of the scope. The remaining $800,000 is not sufficient for accomplishing the rest of the project as scoped, accordingly supplemental funding in the amount of $650,000 is now requested. This proposed increase funding will be utilized to supplement funds already on hand in order that the total project as scoped can be accomplished. Scope elements (B), (C), (D) and (E) will be accomplished by contract whereas scope elements (F) and (G) will be accomplished by force account after having been designed by a consultant. Although a total funding in the amount of $1,850,000 is estimated sufficient to accomplish the project as scoped; however, additional funding will be requested in future years for extension of the electrical power system to the various communities in Babelthaup Island.

9. OUTLAY EFFECT : This FY 1983 supplemental request of $650,000 is to supplement the uncommitted remaining portion of the FY-1981 appropriation to allow work on this project in mid-FY 1983.

PALAU SEWER SYSTEM IMPROVEMENTS

1. AGENCY : Department of the Interior/Territorial and International Affairs

2. APPROPRIATION : Trust Territory of the Pacific Islands

3. ACTIVITY : Republic of Palau

4. PROPOSED AMENDMENT : $2,500,000 to fund CIP shortfall in the scope of on-going Palau Sewer System Improvement Project.

5. CURRENT AMENDMENT : The aggregation of funds appropriated in fiscal Years 1976, 1977, and 1979 for improvement of the Koror sewer system amount to a total of $3,958,000. The present scope for which these funds were appropriated provides for 10 satellite sewer systems for the densely populated and expanding areas which will be connected to the existing sewer system. These satellite sewer systems will provide over 22,000 linear feet of sewer mains to enhance the connections of over, 1,100 homes/facilities to the system. The scope also provides for two portable electric generators for operations of existing and new sewage lift stations to be built under this project during power outages.

The above scoped project has been designed; however, when cost estimated only part of the scope could be built with the available funds.

In fact because of insufficient funds, only four bid items were considered in the construction bid package and four of the ten satellite sewer areas were not allowed in the bid package, although designed and within the original project scope. When bids were finally openned, out of the four bid items, only bid items 1 and 2 could be awarded; bid items 3 and 4 were rejected because of insufficient funds. In other words after committing the total available funds in the amount of $3,958,000, there still remain approximately 40 percent of the intended scope yet to be accomplished; however, to do so will require an additional $2,500,000.

6. AMOUNT BUDGETED : From FY 1976 to FY 1979 different appropriations were made for sewer improvements totaling $3,958,000. This FY 1983 supplemental request of $2,500,000 is required in order that the full scope of the project can be accomplished.

7. FEASIBILITY : The additional funds being requested will enable construction of sewer work in bid items 3 and 4 in addition to construction of sewer systems in Kamarilis, Ngerkesewaol, Butilei and Ngermid areas of Koror. Because of existing dense and increasing population and the geologic and topographic nature of these areas, a centralized, water-borne sewer system is the only means of alleviating the present unsanitary and pollution problems in these areas.

8. CAPABILITY : As has been mentioned, all the available funds has been committed in terms of a construction contract and contract administration; however, because of insufficient funding, only portion, approximately 60 percent of the sewer work, will be accomplished. It is intended that the $2,500,000 supplemental funding will be utilized to contract the remaining 40 percent of the work in order that the total project scope will be accomplished.

Additional funding will be requested in the future for development of a sewer system for Arakabesan Island presently with an expanding population of 960, a government complex, a 250 enrollment elementary school and future site for two 100-room hotels.

9. OUTLAY EFFECT : The presently available funds in the amount of $3,958,000 has already been committed in a construction contract awarded in late March 1982. Should this supplemental request is granted, the remaining work in the project scope can be negotiated and contracted readily in late October 1982.

A & E AIRPORT TERMINAL

Agency/Bureau:	Department of the Interior/Territorial and International Affairs.
Appropriation:	Trust Territory of the Pacific Islands.
Activity:	Republic of Palau.
Proposed Amendment:	$500,000 A & E Airport Terminal.
Current Program:	The Program calls for a new and permanet Terminal to meet the needs and requirements of the Palau Airport.
Amount Budgeted:	None at present and it is requested that funding be made available in Fiscal Year 1983.
Feasibility:	The existing Terminal is a temporary one and it does not concide with Airport Plan and FAA requirement. The new and permanent terminal must be designed to meet the needs of the Airport Operations and FAA requirements.
Capability:	Funds will be utilized for A & E to design a permanent terminal to satisfy all the needs and requirements for the Airport.
Phasing:	1. Preliminary design. 2. Final design

A & E FOR ROAD TO BABELTHAOP

Agency/Bureau:	Department of the Interior/Territorial and International Affairs.
Appropriation:	Trust Territory of the Pacific Islands.
Acvitity:	Republic of Palau.
Proposed Amendment:	$4,500,000 A & E for road to Babelthaop.

Current Program: To conduct feasibility study and prepare final design for a permanent roads system to link all the States on Babelthaop.

Amount Budgeted: None and it is requested that funding be made available in Fiscal Year 1983.

Feasibility: Presently there is no road linking the 10 States on the 26 miles long and 15 miles wide Islands of Babelthaop. The present transportation system for these States is based on small boats traveling at the seacoast and sometimes the use of the small boats is not desirable because of the rough sea.

The proposed road is vitally needed and it must be designed to provide a better and dependable transportation and communication system for the people of Palau, including access to the productire farming areas.

Capability: Funds will be utilized to design a permanent road system to link all the States on Babelthaop for a better communication of the people and promoting agricultural programs.

Project Phasing:

1. Feasibility study.
2. Preliminary A & E.
3. Final A & E design.

A & E FOR POWER TO BABELTHAOP

Agency/Bureau: Department of the Interior/Territorial and International Affairs.

Appropiration: Trust Territory of the Pacific Islands.

Activity: Republic of Palau.

Proposed Amendment: $1,200,000 A & E for power to Babelthaop.

Current Program: To design power transmission line form Koror to serve all the States on the Island of Babelthaop.

Amount Budgeted: None and it is requested that funding be made available in Fiscal Year 1983.

Feasibility: Presently the Island of Babelthaop is not served with electrical power. Out of the 10 States on this main Island of Palau there are only 4 communities provided with their own power stations which are small and not dependable for commercial use.

The power transmission lines to Babelthaop should be designed to provide adequate and continuous power to promote economy and upgrade standard of living to the people on Babelthaop.

Capability: Funds will be utilized to design a permanent and dependable power system to serve the people of Babelthaop.

Project Phasing:

1. Feasibility Study.
2. Final A & E design for construction.

A & E FOR PERMANENT CAPITOL

Agency/Bureau: Department of the Interior/Territorial and International Affars..

Appropriation: Trust Territory of the Pacific Islands.

Activity: Republic of Palau

Proposed Amendment: $500,000 A & E for permanent Capitol.

Current Program: The Constitution of the Republic of Palau calls for the relocation of the Capitol to Babelthaop. The present and temporary Capitol is in Koror.

Amount Budgeted: Project is not budgeted and it is requested that budgeting be programed in Fiscal Year 1983.

Feasibility: The National Government of Palau is composed of the Executive, Lagislative and Judicial Branches. The A & E design of the new and permanent Capitol would satisfy the official interaction of these branches while serving the needs of the people of Palau.

Capability: Funds will be utilized to determine the site, develope final design for structures,facilities, utilities and area plan for the site.

Project Phasing:

1. Feasibility study.
2. Final design of the structures, utilities site etc.

SMALL AIRPORT IMPROVEMENT (PELELIU AND MELEKEOK)

Agency/Bureau: Department of the Interior/Territorial and International Affairs.

Appropriation: Trust Territory of the Pacific Islands.

Activity: Republic of Palau

Proposed Amendment: $500,000 Small Airport Improvements (Peleliu and Melekeok).

Current Program: The Program calls for improvements on Peleliu and Melekeok Airports to provide safe operation of small aircraft for Medical and Police services to the people in those areas.

Amount Budgeted: No funds available. Necessary funding is requested to be made available in Fiscal Year 1983.

Feasibility: These Airports were constructed with compacted earth surfaces. Several sections of these two Airports are deteriorating with soft sub-base and becoming unsafe for the aircraft. These unsafe areas must be corrected to insure safety and continuous operations of the aircrafts and services to the people of Peleliu and Melekeok.

Capability: Funds will be utilized to omprove Peleliu and Melekeok Airports to meet the safety requirements for the aircraft and also to construct small terminal building to protect people from rain while at the Airport.

Phasing:

1. Runway improvment.
2. Construction of Terminal buildings.

A&E FOR PRISON AND JAIL

AGENCY/BUREAU: Department of the Interior/Territorial and International Affairs.

APPROPRIATION: Trust Territory of the Pacific Islands

ACTIVITY: Republic of Palau

PROPOSED AMENDMENT: $250,000 A/E for Prison and Jail

CURRENT PROGRAM: The program calls for A&E design for a permanent prison and jail to satisfy all the requirements for the prison and jail facilities.

AMOUNT BUDGETED: None and it is requested that funding be made available Fiscal Year 1983.

FEASIBILITY: The present facility is deteriorating and very small that cannot accomodate all the requirements for the prison and and jail of Palau. The new facility should be designed to have separate rooms for convicted criminals, juviniles and on the basis of sex and age.

CAPABILITY: Funds will be utilized for A&E to design a permanent prison and jail facility to accomodate 60 to 70 prisoners; including cooking facilities, recreational area and separate rooms and convicted criminals.

PHASING:

1. Preliminary design
2. Final design.

SIDE WALK CONSTRUCTION (MEYUNGS CAUSEWAY)

Agency/Bureau: Department of the Interior/Territorial and International Affairs.

Appropriation: Trust Territory of the Pacific Islands.

Activity: Republic of Palau.

Proposed Amendment: $250,000 Sidewalk Construction (Meyungs Causeway).

Current Program: To Construct sidewalk at Meyungs causeway to provide safety to pedestrian.

Amount Budgeted: No funds available. Necessary funding is requested to be made available in Fiscal Year 1983.

Feasibility: The permanent construction of Meyungs causeway have been completed. No provision was made to provide sidewalk to insure safety of pedestiran. It is very dengerouse for pedestrian at this causeway since it is very narrow with two lanes traffic and has no established sidewalk.

This proposed sidewalk should be constructed at the side of the causeway (cantilever type of construction) to insure safety of the people and school students traveling on foot at this causeway.

Capability: Funds will be utilized to construct a permanent concrete sidewalk at Meyungs causeway for protection of pedestrian.

Phasing:

1. Design
2. Constructions.

TECHNICAL ASSISTANCE

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriations: Trust Territory of the Pacific Islands

Activity: Republic of Palau

Proposed Amendments: $1,000,000

Current Program: The program calls for the implementation of the economic development program based on the Rivkin Associates plan. Additionally, the program calls for the organization and development of Public Administration and the improvement of Palau's financial management system.

Amount Budgeted: None at present. Request that funding be made available in fiscal year 1983.

Feasibility: Economic self-sufficiency is prerequisite to ultimate political and social self-sufficiency. The Rivkin Associates economic development program must be considered and implemented to develop economic development in Palau.

Well organized and administered government is necessary to implement economic development program. Palau must develop a comprehensive public administration program to complement the implementation of its economic development program.

Capability: Funds will be utilized for training local personnel and/or to send qualified applicants for appropriate short and long term training abroad. Funds will also be used to recruit economic and public administration consultants.

Phasing: Preparation of plan/program
Implementation of plan/program

TRANSITION

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Republic of Palau

Proposed Amendment: $2,400,000 for transitional funds

Amount Budgeted: No fund available. It is requested that funding be made available in Fiscal Year 1983

Feasibility: Present and on-going status negotiations on the Draft Compact of Free Association is nearing completion. However, legal and other indispensable status related activities must be funded in order to bring the status negotiations to fiscal conclusion.

In order to establish boundaries of inter-state lands, and also to establish and identify land areas and boundaries to satisfy the U.S. requirements as contemplated under the Draft Compact, comprehensive land surveys must be established with necessary funding.

Because the current Financial Management System of the Trust Territories Headquarters is being dismantled/decentralized, establishment of a separate and independent computer system must be installed by Fiscal Year 1983.

Capability:

An estimated $1,000,000 will be utilized for legal fees, travel, printing, translation and etc. to complete the entire draft compact package.

An estimated $1,000,000 will be used to establish survey missions, purchase necessary equipment and consultant fees to complete the entire land survey.

An estimated $400,000 will be utilized to purchase a small computer and train people to operate the system to meet the current and future needs of Palau Financial Manage-System.

Project Phasing:

A. Status Negotiation.
   1. Bi-lateral negotiation on the remaining six subsidiary agreements.
   2. Translation of the Compact and related agreements
   3. Printing into three different Palauan vernaculars.
   4. Political Education.
   5. Plebiscite
   6. Appearances before U.S. Congress

B. Land Surveys.
   1. Establishment of central and satellite survey mission.
   2. Purchase of necessary equipment
   3. Consultants and legal fees
   4. Printing/documentation

C. Computer System.
   1. Purchase of computer system
   2. Training of necessary personnel
   3. Installation of the system

CIVIC ACTION TEAM

Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Trust Territory of the Pacific Islands.
Activity:	Republic of Palau
Proposed Amendment:	$400,000.00
Current Program:	The program calls for the continuation of the Civic Action Team.
Amount Budgeted:	None for FY 1983. It is requested that funding be made available for FY 1983.
Feasibility:	The Civic Action Team has contributed greatly toward number of both National and State government programs and projects. The program is on the verge of being eliminated because of lack of funds. To re-institute the program after it has been terminated would require additional and unnecessary expense.
Capability:	Funds will be utilized to maintain the current and existing Civic Action Team.

INTRODUCTION OF ASSOCIATES

Mr. OITERONG. Thank you very much, Mr. Chairman.

Since my statement will be in the record, I don't think I should take much time to go over it, except to introduce members of my delegation. On my left is the minister of administration, Haruo Willter. In the back seats we have Victorio Uherbelau, special assistant to the president, Yoichi Rengill, a member of the staff, and one gentlemen who is not listed in the listing, Senator Edobo Temengil who just arrived this morning. I would like to recognize him.

Senator MCCLURE. All you gentlemen are welcome.

Mr. OITERONG. We are very pleased, Mr. Chairman, to be here to testify before you. I would like to extend my deep appreciation for your interest in the development of Micronesia, especially the development of the Republic of Palau.

Since we became a constitutional government we have had several groups from both the U.S. Congress and the executive branch who paid visits to us, and I have every confidence that their report will be coming up, and I would like to ask your indulgence to review the report when they come out from the various groups that visited Palau.

I would like to stop at this moment and ask if you have any questions to direct them to my minister here. We will be very happy to answer as best we can.

Senator MCCLURE. Thank you very much, Mr. Oiterong.

I will have a number of questions to submit to you for response in writing. I will not take the time to ask all of those at this time, but there are two or three that I would like to focus on at this time.

One was with respect to the problems you had in preparation of the budget. I have heard some statements made by various people from the territories that you didn't have enough opportunity, enough notice and enough time to prepare the materials. When did you receive notification from the Department of the Interior to prepare your budget justification for fiscal year 1983?

Mr. OITERONG. Thank you, Mr. Chairman. I would like to refer the question to Mr. Willter.

Mr. WILLTER. Thank you, Mr. Chairman. My name is Haruo Willter. I am the minister of administration. I am glad to answer the question. We had approximately 7 days to submit the justification. That was the final justification. I don't recall the exact date, but I did ask for an extension on that. In all fairness to the Department, we received a message from the office of the High Commissioner stating when they received the instructions from the Department, giving the final allowances as provided by OMB. From the time we got it until the time we had to get it back, I would say from 7 to 10 days.

I will be glad to get the copy of the message for the record.

Senator MCCLURE. If you would do that, it would help us.

[The information follows:]

MESSAGE FROM HIGH COMMISSIONER

January 5 we received the official allowances for the Republic of Palau which must be used in the fiscal year 1983 budget justifications. The fiscal year 1982 appropriation bill, Public Law 97-100, was signed by the President December 23, 1981. The fiscal year 1982 column amounts to be used in the fiscal year 1983 budget justifications follow:

Regular operations	$8,867,000
College of Micronesia	192,000
Local courts—TTPI chief justice	72,000
Total	9,131,000

OMB fiscal year 1983 allowances follow:

Regular operations	$9,500,000
Local courts—TTPI chief justice	75,000
Total	9,575,000

Please note that normal operations of the College of Micronesia are separately funded in fiscal year 1983. Your fiscal year 1983 allowance contains no funds specifically earmarked for COM.

As you are aware, economic necessity currently is making for increasingly tight budgets in the United States. It is of the utmost importance that our fiscal year 1983 budget justifications be the strongest possible.

The deadline for preparation and finalization of the TTPI budget justifications is a tight one. Deputy assistant secretary, TIA, Diane K. Morales will be handcarrying the completed documents when she leaves Saipan January 22.

Please submit complete supporting tables ASAP but no later than the January 13 flight. I also request you send your minister of administration or a designee with your completed narrative justifications to arrive January 13 if at all possible. He will be needed most urgently in final justification editing and dollar tie-outs.

From a technical standpoint, we are requested to furnish certain additional data in our fiscal year 1983 submission. The data follows:

1. Utilities POL must appear as a subactivity under public works.
2. Public works reimbursements must be split as follows: a. operations and maintenance reimbursements and b. utilities reimbursements.
3. In the year fiscal year 1982, the $192,000 for College of Micronesia must appear as a subactivity within the education activity.

If you will be budgeting for a civic action team in fiscal year 1983, please assure that the amount provided is realistic. It is also important that amounts budgeted for utilities POL be realistic. The price of diesel fuel has been relatively stable the past 18 months or so. Consequently, we are selling ourselves short if we do not provide the budget dollars required for POL at current or current plus 10 percent prices.

I will greatly appreciate your efforts to assure that your justifications meet the high standard you desire.

Please advise ASAP who will be coming to Saipan and hotel and car reservations needed, if any. Hotel reservations currently are very tight.

Warmest regards.

JANET J. MCCOY,
High Commissioner.

TIME NEEDED TO PREPARE SUBMISSION

Senator MCCLURE. I would assume that I don't even have to ask the question as to whether you feel that's an adequate amount of time for you to prepare that submission.

Mr. WILLTER. Of course, the cycle starts about 2 years in advance from the estimate. But I think the question was as to the final justification to the Congress, and that is what I am referring to.

Senator MCCLURE. How much time would you think was normally required? You say 7 to 10 days. What would you have thought was a reasonable period of time?

Mr. WILLTER. Mr. Chairman, the way our budget is done, the process is that it must go through our legislative branch, which is the national congress for the Republic, and in this particular case we passed it through more or less, send it in advance, while we talk to them. So I would say at least 30 days would be the minimum period that we should have in order to get the budget done properly.

Senator MCCLURE. You along with others have made the suggestion that you need technical assistance. I think as we're going from this period of administration by the U.S. Government to self-administration of your programs you need to develop the capacity to do the internal work that is necessary and you want to have your own people capable of doing that. The same thing is true with respect to the capital improvement program. It doesn't do us much good to build capital improvements if after they are completed you don't have the people that are trained sufficiently to maintain those capital improvement projects. I think every territory has focused upon the desirability of merging into the capital construction program; also the training of people that will be necessary to maintain those programs. I assume that is true in Palau as well. Is that correct?

Mr. WILLTER. Yes, Mr. Chairman.

Senator MCCLURE. I wonder if you could for the record, please provide a list in order of priority of all your technical assistance needs and include a cost estimate, and an explanation of each of those technical assistance requirements. If you would do that for the record, please.

Mr. WILLTER. Yes, sir.

[The information follows:]

Mr. Chairman, at present we can only tell you that we need technical assistance in the following areas: capital improvement program, financial management system, communications system, operation and maintenance, management and reorganization study, land boundaries identification program, and economic development plan.

However, we are unable to provide the committee with the cost estimates for each program, as we do not have the capability at the local level to determine these costs.

We have requested Mr. Pedro A. Sanjuan to assist us on this matter and we should be able to provide the committee with the priority and cost information of our technical assistance program no later than August 30, 1982. A copy of our letter dated May 25, 1982 to Mr. Sanjuan is attached for the record.

LETTER FROM ALFONSO R. OITERONG

MAY 25, 1982.

Hon. PEDRO A. SANJUAN,
Assistant Secretary for Territorial and International Affairs,
Department of Interior, Washington, D.C.

DEAR MR. SECRETARY: The purpose of this letter is to officially request the technical expertise of Frank X. Solomon of your staff to assist us in setting up our technical assistance program as discussed during the meeting held on April 13, 1982 between President Remeliik and his delegation and the U.S. delegation headed by you.

While we realize that Mr. Solomon's service is much needed in the Department, we feel that he would be the logical person to help organize our technical assistance program since he is most familiar with our problem as well as our technical assistance requirements and would require little or no further orientation from us. Mr. Solomon would be assigned the responsibility to identify our technical assistance requirements in the areas of capital improvements program, finance management system, communication, operations and maintenance, management and reorganization study, land boundaries identification program, and economic development plan.

Based on our input, Mr. Solomon would prepare a package that would contain the following:

1. Identification of scope of technical assistance required for each program area.
2. Type and number of individual/group of expertise required for each technical assistance program.
3. Timetable to be followed for each program.
4. Cost estimates for each program.

Since our president and the leadership of our national congress (Olbiil Era Kelulau) place great emphasis on the technical assistance program, some concern echoed by the General Accounting Office and Senator McClure during the recent Senate hearings, we are anxious to get this program started as soon as possible.

If you approve our request, we would like Mr. Solomon to proceed to Palau with us during the first week of next month to start working with us.

We are requesting that all related costs to this request be covered by the Department's technical assistance fund.

Sincerely yours,

ALFONSO R. OITERONG,
Vice President.

ASSISTANCE IN FINANCIAL MANAGEMENT

Senator MCCLURE. Along these lines, what are your needs for assistance in financial management?

Mr. WILLTER. We have been contacted by the Department of the Interior representative on the decentralization of the accounting system to the local area. We recently held a meeting in Guam regarding possible installation of a mini-computer or something that will take care of our needs. I believe there is a report that has been put together and filed with the Department for their review. We've also held a conference in Guam and agreed that we should pursue and develop the system.

What we need especially in the financial management system, which I believe is the most important thing, if we're going to develop the area we must have these records, is some technical assistance to review the existing system that we have today, as to the size of it and whether it is giving us the information that we should have as well as providing the information to the United States, as needed, and then train our people to be able to work with the system.

The system we have today is in Saipan, and we're at the local government level and we still have difficulties in communicating with the computer in Saipan, depending on the flight schedule, and also whenever we have a breakdown we sometimes do not get the information on time. I believe the GAO people who came to visit Palau did look into this matter, and I am sure they have their comments on that.

That is what we feel in the Republic of Palau, that we should have our own system that is workable in the local sector.

CLOSING REMARKS

Senator McCLURE. Thank you very much. As I indicated earlier, I have a number of detailed questions with respect to the capital improvement program, with respect to your utility management, including the rates and collections on the utility fees, and a number of other questions as well, which I will submit for responses in writing.

I do appreciate your appearance here this morning.

For those people who have never had the opportunity to visit the Republic of Palau, I hope a good many Americans will afford themselves of that visit. There isn't any place in the world that is more spectacularly beautiful than the Rock Islands.

Thank you very, very much for your appearance here today.

Mr. OITERONG. Thank you very much, Mr. Chairman.

TERRITORIAL AND INTERNATIONAL AFFAIRS

STATEMENT OF PEDRO A. SANJUAN, ASSISTANT SECRETARY FOR TERRITORIAL AND INTERNATIONAL AFFAIRS

ACCOMPANIED BY:

- ROBERT BALDAUF, ACTING BUDGET OFFICER
- JOHN E. DeYOUNG, SENIOR STAFF ASSISTANT FOR PACIFIC AFFAIRS
- CHUCK DOWNS, POLICY ANALYST
- DAVID M. GESSNER, BUDGET ANALYST
- RICHARD W. MILLER, ECONOMIC ADVISER
- FRANK X. SOLOMON, SYSTEMS ACCOUNTANT, TECHNICAL ASSISTANCE STAFF
- JOSEPH W. GORRELL, DIRECTOR OF BUDGET: POLICY, BUDGET AND ADMINISTRATION

TRUST TERRITORY OF THE PACIFIC ISLANDS

STATEMENT OF JANET J. McCOY, HIGH COMMISSIONER

ACCOMPANIED BY:

- KENT HARVEY, ATTORNEY GENERAL
- RODNEY ADELMAN, BUDGET STAFF
- DANIEL FLAHERTY, DIRECTOR OF FINANCE
- THOMAS HEFFERNAN, USN, OFFICER IN CHARGE OF CONSTRUCTION, MARIANAS

PREPARED STATEMENT

Senator McCLURE. Representing the Department of the Interior this afternoon will be Pedro A. Sanjuan, Assistant Secretary for Territorial and International Affairs. Accompanying Assistant Secretary Sanjuan will be Janet J. McCoy, High Commissioner, Trust Territory of the Pacific Islands, Capt. Thomas Heffernan, USN, officer in charge of construction in the Marianas.

Mr. Sanjuan, this is your first appearance before this subcommittee in this capacity, and we wish to welcome you here today. You may introduce those who are with you at the table.

As I have told other witnesses, your entire statement will be placed in the record in full at this point, and I will invite you to highlight it or summarize in whatever way you see fit.

[The statement follows:]

STATEMENT OF PEDRO A. SANJUAN

I am pleased to make my first appearance before this Subcommittee to discuss the Administration's budget proposals for Territorial and International Affairs for fiscal year 1983. The budget includes funding for the United States territories, the Trust Territory of the Pacific Islands, the United States Government Comptrollers, and the Office of Territorial and International Affairs in Washington.

ECONOMIC ASSUMPTION

Let me begin by stating that I believe in the President's economic recovery program, and I recognize that the fiscal year 1983 budget must be reduced. It is my responsibility, at the same time, to ensure that the territorial governments, including the emerging governments of Micronesia, have the necessary resources to meet their essential needs. I recognize that there are many legitimate concerns and proposals for Federal funding that are not addressed in this budget. In a perfect world, we would be able to request funds for every worthwhile project that the territorial governments seek. This is not, however, a perfect world. The rate of growth of the deficit of the United States Government must be reduced by means of policies that contribute to the reduction of Federal expenditures over a period of several years if our nation is to remain strong and economically viable. It is out of necessity, therefore, that I must speak to an overall budget reduction.

The Administration's budget request for the territorial and Trust Territory governments is a reduced request from the appropriations you enacted for fiscal year 1982. Most of this reduction can be attributed to the completion of funding of the Virgin Islands health facilities, a project for which we provided $62.3 million over three years. The request before you represents those items considered by both the territorial governments and the Administration to be of the highest priority. The following outlines the Territorial and International Affairs budget request for fiscal year 1983.

BUDGET REQUEST

The total amount requested for fiscal year 1983 is $187,776,000. The total request is comprised of $54,200,000 for the estimated return of tax revenues to Guam and the Virgin Islands, $75,500,000 for the Trust Territory of the Pacific Islands, and $58,076,000 for the United States territories, the Comptrollers, and the Office of Territorial and International Affairs. This is a decrease of $29,571,000 from the amount appropriated for fiscal year 1982. When the fiscal year 1982 appropriation of $21.5 million for the Virgin Islands health facilities is deducted from this decrease, we are presenting a reduction of slightly over $8 million, or 4 percent from the fiscal year 1982 appropriation. Since the return of tax revenues to Guam and the Virgin Islands is a matter that is fixed by law, I shall not address that particular item now. I will, however, summarize exactly what it is that we are requesting and then speak to some of our accomplishments and plans for the future.

TRUST TERRITORY OF THE PACIFIC ISLANDS

For the Trust Territory of the Pacific Islands, we are requesting a total of $75,500,000, with an actual increase of $1.4 million over the fiscal year 1982 appropriation for basic operations. These funds will be used for the support of governmental operations in the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Additionally, they will provide support for the Trust Territory Headquarters and the College of Micronesia. In the special operations category, we are requesting funding for enhanced operations and maintenance, satellite communications, and a contingency reserve for the payment of legal judgements and increases in the cost of fuel. The total operations request of $66,400,000, including the special operations items, is summarized as follows:

Federated States of Micronesia	$35,137,000
Marshall Islands Government	10,358,000
Republic of Palau	9,575,000
Trust Territory Headquarters	4,630,000
Enhanced Operations and Maintenance	1,500,000
Satellite Communications	1,000,000
Contingency Reserve	2,800,000
College of Micronesia	1,400,000
Total Operations	$66,400,000

Other funding for the Trust Territory includes $7,800,000 for construction of new capital facilities in the Marshall Islands, the Federated States of Micronesia, and Palau. The initital increment of $2.9 million, of a total United States commitment of $21 million, was provided in fiscal year 1982 for architectural design and this money is currently being used for that purpose. The fiscal year 1983 request assumes that a small amount of construction will actually take place in 1983 and that our request will be sufficient to pay for that work which is actually done.

BIKINI AND ENEWETAK

Finally, the budget proposes $800,000 for the support of the people of Enewetak and $500,000 for support of the people of Bikini. Both of these programs will be phased out as permanent communities become fully established.

Our supplemental request for fiscal year 1982 contains $21,000,000 for the establishment of permanent communities for the people of Bikini. This supplemental request will provide for the permanent relocation and resettlement of the displaced Bikini Islanders on Kili and Ejit Islands until such time as the radiation hazards on Bikini Atoll have abated sufficiently to permit the Bikinians' safe return and habitation of their home atoll. Of this proposal, $20,600,000 is to plan for and construct permanent housing and community facilities on Kili and Ejit Islands and replant coconut and other food crops. The $400,000 remaining is to fund general costs of small, current programs and a nutrition and agriculture survey, medical expenses, and the translation and presentation for the Bikinians of the findings of an independent radiological survey of Bikini Atoll.

ADMINISTRATION OF TERRITORIES

The Administration of Territories account contains a request for $58,076,000. This is for Guam, American Samoa, the Northern Mariana Islands, the United States Government Comptrollers, and the Office of Territorial and International Affairs. You will find no request for funding in this account for the Virgin Islands, as we have received no request or justification from the Virgin Islands government.

$3,665,000 REQUESTED FOR GUAM

For Guam, we are seeking $3,665,000. The requested funds include $500,000 for the Guam Economic Development Loan Fund. This will be used as venture capital to aid small businessmen who are working to develop local resources. We are seeking $1,100,000 for development of Guam's commercial port. This is a very worthwhile project and promises a considerable return in the future. Finally, we are requesting $2,065,000 for the construction of three water lines. Guam's water system is antiquated and is currently undergoing a multi-year modernization effort. To spur development of the Guam economy we have put special emphasis on much needed regulatory reform and on finding permanent solutions to the chronic problems that beset the Guam Power Authority.

$28,143,000 REQUESTED FOR THE NORTHERN MARIANA ISLANDS

For the Northern Mariana Islands, we are requesting $28,143,000. Funding mandated under the Covenant amounts to $24,143,000. This amount is established using the Gross National Product Implicit Price Deflator and indexing the guaranteed $14 million to current prices. This year's request is about $1.7 million above the corresponding amount for fiscal year 1982. We have requested a fiscal year 1982 supplemental of $3,402,000, as required by law, and will, as a matter of law, request a supplemental for fiscal year 1983 in conjunction with the fiscal year 1984 budget. These supplementals bring estimated amounts up or down to actual price level fluctuations. In addition to Covenant funding, we are requesting $4,000,000 to initiate construction of a much needed hospital on Saipan. We hope to provide a total of $15 million as the Federal contribution for this construction. We believe that the construction can be initiated with our first contribution and locally-available funds. My staff has been working closely with the Northern Mariana Islands government throughout the planning for this hospital, and we will continue to do so as work progresses.

$20,383,000 REQUESTED FOR AMERICAN SAMOA

We are requesting $20,383,000 for American Samoa. This includes $18,903,000 for operations support of the American Samoa Government and $1,480,000 for essential capital projects. The capital projects include $375,000 for road construction, $430,000 for school improvements, and $675,000 to purchase a much needed tugboat. With the fiscal year 1983 budget, the Administration has proposed authorization of up to $8 million in loan guarantees to enable the newly-formed American Samoa Power Authority to enter the private capital markets. Additional power generating capacity is needed in the short term and a long term solution to American Samoa's need for power is being sought. An adequate supply of power is the key to any further economic development on American Samoa. Such a power supply will depend as much on renovating equipment as it will on developing good management practices that are sorely lacking and training the necessary technicians who will provide the essential maintenance of sophisticated equipment.

$3,300,000 REQUESTED FOR COMPTROLLERS

The budget seeks $3,300,000 for the U.S. Government Comptrollers. This is a slight increase over the amount appropriated for fiscal year 1982. Due to our completed plans for full staffing and rotation of personnel, this increase is necessary to defray the high cost of relocations of families to and from the territories.

TERRITORIAL AND INTERNATIONAL AFFAIRS

For the Office of Territorial and International Affairs, we are requesting $2,585,000, of which $750,000 is for technical assistance support. The sizeable increase in the cost for the office in fiscal year 1983 is primarily attributed to the transfer of funding for the Immediate Office of the Assistant Secretary from the Departmental Management to the Administration of Territories account. Within this amount, we are seeking $200,000 to gather statistical information on the economic and social bases in Micronesia. We feel that this type of information, most of which is not currently available, is needed before we can enter into a free association status with the new governments. It is only with this type of information that we will be able to guide their develop ment and our technical assistance efforts in Micronesia prior to free association as well as in the post-Trusteeship period when such assistance will be needed even more critically.

As I promised earlier in this testimony, I shall now tell you of some of our accomplishments. Since I took office as Assistant Secretary for Territorial and International Affairs, we have been looking at a number of ways to help the development of the territories that are not necessarily connected with the budget process. This approach is a significant departure from the past administrations and represents the Reagan Administration's commitment to develop the private sector and allow it to develop the economy.

DEREGULATION

Last month we held a three-day conference at the White House with key business and media executives from Guam. The conference focused on Federal regulations that hinder economic development when applied to Guam, and was designed to be an opportunity for the businessmen to discuss the problems of Federal constraints with senior-level officials of the Administration. The sessions concluded with an appearance by the Vice President, who pledged to have the President's Task Force on Regulatory Relief look into ways to help Guam in this regard.

In February, the Environmental Protection Agency, at the urging of the territories task force, temporarily waived the requirement that the Guam Power Authority install scrubbers on its stacks. The waiver of the scrubber requirement will save the Guam Power Authority $20 million in installation costs and another $3 million annually in maintenance costs. Last month under the same aegis, we prevailed upon the Labor Department to waive the Defense Base Act as it applies to Guam. The benefits of this waiver are two-fold. First, it will save the Federal government millions of dollars annually. In FY 1980, the Defense Department estimates that the DBA added $5 to $10 million to the cost of construction contracts on Guam. These costs are passed on to the government in the contractors' bids. Second, the waiver of the DBA will allow local Guamanian businesses to compete on equal footing with foreign companies not required to have DBA's high premiums, which add 20 to 40% to the construction labor costs on Guam.

There are other constraints that hinder the development of the economy on Guam and we are looking into ways to deal with as many of them as we can. Our goal is to develop a viable economy on Guam -- one that will permit the economy of the island as a whole to be upgraded.

TECHNICAL ASSISTANCE EFFORTS

Mr. Chairman, we have put quite a bit of effort and money into the territorial areas in recent years, most of which has been for needed projects and bona fide purposes. When we are 9,000 miles away, it is difficult, if not impossible to monitor everything that goes on. We believe that the territories need and want our assistance. We intend to respond to this need through a greatly expanded program of technical assistance. We must be able to give the emerging governments of Micronesia the technical skills to plan and manage their fragile economies over the next 10 to 15 years and perhaps longer. We must be able to help the Micronesian and territorial governments order their priorities and train their own citizens to assume full control of the operations of their governmental structures.

To these ends, I have completely reorganized the technical assistance function in the Office of Territorial and International Affairs. We plan to devote our resources, both financial and personnel, to meet the underlying problems in the insular areas, rather than patch a problem here and there. We hope to be able to assign one professional and supporting staff, at no additional cost to the government, to the Pacific, in order to be closer to the problems and to have the advantage of easier communications. Our new Technical Assistance Director is a Senior Executive Service level Department of the Interior official with a distinquished record in management and operations. Our technical assistance efforts will be thorough and extensive. We will seek out the roots of the problems and attempt long-term solutions for them. The study I mentioned earlier to gather data on the economic and social bases of Micronesia will be a prerequisite to a major effort designed to enable the Micronesians to carry out the operations of their governments if and when the Compact of Free Association goes into effect.

Up to now, the technical assistance staff has served the territories only by helping to convert to more modern financial management systems and update their financial records. These projects are beneficial and should soon be completed. Financial management should ultimately become a permanent part of the individual territorial budgets.

Public Law 96-597, section 601, specifically authorized and urged the Department of the Interior to provide technical assistance in the form of "research, planning assistance, studies, and demonstration projects" to territories through Department staff, reimbursements to other departments, grants, cooperative agreements, or "the employment of private individuals, partnerships, or corporations," (48 U.S.C. 1469d).

The proposed new technical assistance program will provide assistance for all aspects of island government needs, with particular emphasis on economic development. The three new Micronesian governments will be facing complex problems as they strive to increase the level of economic activity and at the same time reduce their crippling foreign indebtedness. The shortage of local funds for capital investment will require the Micronesians to depend on foreign investment capital for development of their economies, and this can hardly be attracted if these entities are insolvent.

In order to assist the Micronesians, we must develop realistic economic strategies for the region as a whole as well as for the individual countries. Development of these strategies is dependent on a sound economic data base and a prerequisite for attracting outside capital investment. Therefore, our first effort will be to assist in defining the pertinent data for sound economic planning and in implementing a dependable collection system.

Another important concern is the licensing and taxing requirements for businesses providing services to the three governments. A solution must be developed whereby current and future businesses can deal whenever possible with uniform laws rather than three different sets of legal codes and regulations.

In regard to infrastructure, we are focusing on the completion of the five-year capital improvement program. We are re-evaluating the program to ensure and encourage economic growth. We are also emphasizing proper training and management for improved operation and maintenance of this infrastructure.

In addition to the five-year CIP, the Micronesian governments will need greater accessibility to capital for future expansion of the infrastructure. Local economic development loan funds are not suited for heavy infrastructure development due to their limited scope and they will not meet the expanding needs of the areas. One option that we will be exploring is the creation of an economic development bank similar to development banks in other regions.

To help develop healthy economies, we will also assist in insuring a balance between the anticipated revenues and expenditures of these governments. We will help improve collection procedures, propose the establishment of fees and rates for government services that will recover operating expenses, provide for equipment maintenance, and explore tax options. If the current practice of incurring substantial amounts of foreign indebtedness continues, these governments will soon jeopardize any chance they may have of achieving future financial independence.

In addition, we will work with each government to develop educational programs that reflect the training requirements of the Trust Territory, examine utility (power and water) requirements, and improve communications and hospital administration and operations.

While defining new objectives, it is useful to review two ongoing projects of our technical assistance staff:

> Decentralization of financial and accounting functions to the new governments. The technical assistance staff at the Trust Territory of the Pacific Islands assisted in decentralizing all accounting processes and responsibilities to the three governments. Except for some special trust funds and other federal agency grants, this project is complete.
>
> Design and implementation of a financial management system for each of the three governments. The approach has been to assist each government in defining its needs and then to implement a system that will satisy those needs and the accountability concern of the U.S. Congress.

Mr. Chairman, this concludes my prepared testimony. I will be pleased to elaborate or to answer any questions that you or other members of the Subcommittee may have. Thank you for this opportunity to appear before you.

INTRODUCTION OF ASSOCIATES

Mr. SANJUAN. Thank you very much, Mr. Chairman.

With me, on my right, is Mr. Ernest C. Downs, who is one of my policy advisers; Mr. David Gessner, a member of our budget office; and Mr. Frank Solomon, who is well known to you and is one of our experts on Micronesia and the Pacific in general. And there will be other members of my staff who will also be participating and coming up and answering questions.

I have summarized my statement. Unfortunately, I think it is still a little long. I will try to give it to you as fast as I can.

STATEMENT OF MR. SANJUAN

I am pleased to make my first appearance before this subcommittee to discuss the administration's budget proposals for territorial and international affairs for fiscal year 1983. Included is funding for the U.S. territories, the Trust Territory of the Pacific Islands, the U.S. Government Comptrollers, and the Office of Territorial and International Affairs in Washington.

Let me begin by stating that I believe in the President's economic recovery program, and I recognize that the fiscal year 1983 budget must be reduced. In a perfect world we would be able to request funds for every worthwhile project that the territorial governments seek. This is not, however, a perfect world. It is out of necessity, therefore, that I must speak to an overall budget reduction.

Most of this reduction can be attributed to the completion of funding of the Virgin Islands health facilities, a project for which we provided in the past 3 years $62.3 million.

The total amount requested for fiscal year 1983 is $187,776,000. This is a decrease of $29,571,000 from 1982.

When the 1982 appropriation of $21.5 million for the Virgin Islands health facilities is deducted from this decrease, we are presenting a 1983 reduction of slightly over $8 million, or 4 percent, from the 1982 appropriation.

REQUEST FOR TTPI

For the Trust Territory of the Pacific Islands we are requesting a total of $75,500,000. This is an actual increase of $1.4 million over the 1982 appropriation for basic operations in the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, trust territory headquarters, and the College of Micronesia.

The total operations request of $66,400,000 is summarized in my written statement.

Other TT funding includes $7,800,000 for construction of new capitol facilities, $800,000 for the support of the people of Enewetak, and $500,000 for the support of the people of Bikini.

Our supplemental request for fiscal year 1982 contains $21 million for the establishment of permanent communities for the people of Bikini.

The administration of territories account contains a request for $58,076,000 for Guam, American Samoa, the Northern Mariana Islands, the U.S. Government Comptrollers, and the Office of Territorial and International Affairs.

For Guam we are seeking $3,665,000 including $500,000 for the economic development loan fund, $1,100,000 for Guam's commercial port, and $2,065,000 for the three water lines.

REQUEST FOR THE NMI

For the Northern Mariana Islands we are requesting $28,143,000. Funding mandated under the covenant amounts to $24,143,000, and we are requesting $4,000,000 to initiate construction of a much needed hospital on Saipan.

We are requesting $20,383,000 for American Samoa, including $18,903,000 for operations and $1,480,000 for capital projects.

The capital projects include $375,000 for road construction, $430,000 for school improvements, and $675,000 to purchase a much needed tugboat.

We have proposed an $8 million loan guarantee to enable the newly formed American Samoa Power Authority to enter the private capital market. An adequate supply of power is the key to any further economic development in American Samoa.

We seek $3,300,000 for U.S. Government Comptrollers, and for the Office of Territorial and International Affairs we are requesting $2,585,000, of which $750,000 is for technical assistance.

Also included in this amount is another $200,000 to gather statistical information so desperately needed for Micronesia in the context of meaningful economic development.

As I promised earlier in this testimony, I shall now tell you some of our accomplishments.

Since I took office as assistant secretary we have been looking at a number of nonbudget ways to help the development of the territories.

WAIVER OF CONSTRAINTS ON GUAM

In February the Environmental Protection Agency, at the urging of the territories task force, co-chaired by the Department of the Interior and the White House, temporarily waived the requirement that the Guam Power Authority install scrubbers on its stacks. If we can find a permanent solution, we will save the Guam Power Authority and the people of Guam $20 million in installation costs and another $3 million annually in maintenance costs.

Similarly, we prevailed upon the Labor Department to waive the Defense Base Act as it applies to Guam. This will save the Federal Government millions of dollars annually and will allow local Guamanian businesses to compete on equal footing with foreign companies.

Our goal is to eliminate constraints and develop a viable economy in Guam, one that will permit the economy of the island as a whole to be upgraded.

TECHNICAL ASSISTANCE

We intend to establish a program of greatly expanded technical assistance. To these ends I have completely reorgnized the technical assistance functions in our office. We hope to be able to assign one professional person and supporting staff, at no additional cost to the Government, to the Pacific, in order to be closer to the problem.

Up to now the technical assistance staff has served the territories only by helping to convert to more modern financial management systems and update their financial records. These projects will soon be completed and become a permanent part of the territories' budgets and administration operations.

Our new technical assistance program will provide assistance for all aspects of island government needs, with particular emphasis on economic development.

ECONOMIC STRATEGIES

In order to assist the Micronesians, we must develop realistic economic strategies for the region as a whole as well as for the individual countries. A sound economic data base is essential. Therefore, our first effort will be to assist in defining the pertinent data for sound economic planning.

Another important concern is that licensing and taxing requirements be developed so that current and future businesses can deal whenever possible with uniform laws, rather than with three different legal codes and sets of regulations.

We are reevaluating the 5-year CIP program to insure and encourage economic growth and are emphasizing proper training and management for improved operation and maintenance of this infrastructure.

In addition to the 5-year CIP, the Micronesian governments will need greater accessibility to capital for future expansion of the infrastructure. One option that we will be exploring is the creation of an economic development bank similar to the development banks of other regions.

To help develop healthy economies, revenues, and expenditures of these governments must be balanced. We will help improve collection procedures for fees for services that will recover operating expenses, provide for equipment maintenance, and explore tax options. If the current practice of incurring substantial amounts of foreign indebtedness continues, these governments will soon jeopardize any chance they may have of achieving future financial independence.

TRAINING AND COMMUNICATIONS

In addition, we will work with each government to develop educational programs that reflect the training requirements of the trust territory, examine utility requirements, and improve communications and hospital administration.

That finalizes my statement, Mr. Chairman.

Senator McClure. Thank you very much, Mr. Secretary.

PREPARED STATEMENT

Ms. McCoy, High Commissioner of the Trust Territory of the Pacific Islands.

We will inset your prepared statement in the record at this point.

[The statement follows:]

STATEMENT OF JANET J. MCCOY

We are pleased to have the opportunity to appear before your subcommittee to present the trust territory's appropration request for fiscal year 1983. As I am sure you are aware, this is my first appearance before your subcommittee, having assumed my position in Saipan as the High Commissioner in December 1981. With me today from Saipan are Dan High, acting deputy High Commissioner; Rodney Adelman, of our budget office staff; Dan Flaherty, our director of finance; Kent Harvey, acting attorney general; and Capt. Thomas Heffernan, OICC—Marianas.

Before addressing the fiscal year 1983 appropriation request, I would like to brief you on the progress made in the political development of the trust territory. As you are aware, all of the former districts of the trust territoty are now functioning under the maximum permissible amount of self-government, consistent with the responsibilities of the administering authority under the 1947 trusteeship agreement. With certain limited exceptions, all executive, legislative, and judicial functions of the trust territory government have been delegated to the three constitutional governments of the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia, through the transition program. In addition, a draft compact of free association has been initiated by the three governments and the Office of Micronesian status negotiations, and the remaining subsidiary agreements are now being negotiated.

As a result, the funding request for trust territory headquarters has been reduced to the minimum level necessary to support those functions required to be performed by headquarters until termination of the trusteeship. Also, the funding requests for operations of the three governments were developed by those governments, within the funding levels authorized by the President.

Turning now to the fiscal year 1983 appropriation request, our reuqest for the trust territory totals $75.5 million, a decrease of $657,000 from the fiscal year 1982 appropriation. The proposed increases for operations funding for the three governments and the College of Micronesia, capital relocation, satellite communications maintenance, Bikini support, and fuel and claims contingency are more than offset by significant reductions in headquarters operations funding and enhanced operations and maintenance, and the elimination of funding for generator overhaul, capital improvements, and prior year restoration. The percentage of operations funding devoted to the various program activities remains essentially unchanged.

The fiscal year 1983 funding request for trust territory headquarters is $4.63 million, a decrease of $1,514,000 from the current fiscal year. The savings will be achieved by maintaining headquarters operations at the minimum level possible to meet our remaining responsibilities under the trusteeship agreement. Nearly every activity at headquarters will be reduced and the public affairs and resources and development activities eliminated. The administration activity alone will be reduced by over $1 million.

Representatives from each of the three governments are here to testify in further detail as to the funding requests for their respective governments. Those requests include the Republic of Palau—$9,575,000, an increase of $636,000; the Republic of the Marshall Islands—$10,358,000, an increase of $651,000; and the Federated States of Micronesia—$35,137,000, an increase of $1,579,000. The request for the College of Micronesia is $1.4 million, an increase of $56,000. Other operations funding requests include $2.8 million for a fuel and claims contingency fund, $1.5 million for enhanced operations and maintenance, and a new request for $1 million for satellite communications maintenance. The construction funding request for capitol relocation is $7.8 million, an increase of $4.92 million over the current fiscal year. Special programs funding requests include $800,000 for Enewetak support and $500,000 for Bikini support, to continue the Bikini resettlement program proposed in our fiscal year 1982 supplemental appropriation request for $21 million. While no new funding is being requested in fiscal year 1983, the ongoing capital improvement program will continue with funds appropriated in prior fiscal years. Captain Heffernan, OICC—Marianas, is here with me to testify as to the progress of the capital improvement programs.

In conclusion, Mr. Chairman, I would like to seek your continued cooperation and support of our efforts in the transition process. As trust territory headquarters continues to phase down to a minimal level and as the three new governments assume the increasing responsibilities of self-government, many varied and complex problems have and will continue to surface. We have tackled each program with the best possible solution, keeping in mind the interests of both the United States, in our role as administering authority, and the new Micronesian goverments, in their roles of duly-constituted governments representing the Micronesian people. The process of relinquishing governmental authority to the new governments remains a unique challenge. Your past cooperation and support have been instrumental in our success, and it is hoped that such support will continue during the remaining phases of the transition process.

This completes my opening statement, Mr. Chairman. Thank you for your kind attention. My staff and I would be happy now to answer any questions your or other members of the subcommittee may have concerning our fiscal year 1983 appropriation request.

INTRODUCTION OF ASSOCIATES

Ms. McCoy. Thank you, sir.

I, too, have summarized my statement. You have the complete one up there.

I would at this time like to introduce some members of my staff who are here in support of me. The gentleman on my left is not a member of my staff but we sort of consider that he is, he is with us so much of the time. That is Captain Heffernan from the OICC. The next person is Rodney Adelman, who is the director of our budget office, Kent Harvey, who is my attorney general, and the gentleman directly behind me is Dan Flaherty, director of finance.

I deeply regret that Dan High, the Deputy High Commissioner, suddenly was taken very, very ill today and is unable to be here, and he regrets that as much as we do.

Senator McClure. I suspect that he regrets it even more than you do.

Ms. McCoy. Well, that's true.

Senator McClure. I'm sorry that he is unable to be here.

Ms. McCoy. But he did ask for a report as soon as we were through, and I promised him I would call him. But he is very, very deeply sorry that he can't be here, and we are too.

We are pleased to be here. As I know you know, this is the first time I've had a chance to appear before your subcommittee.

FISCAL YEAR 1983 APPROPRIATIONS SUMMARY

To briefly summarize our fiscal year 1983 appropriations request, our request for the trust territory totals $75.5 million, a decrease of $657,000 from the fiscal year 1982 appropriation.

The 1983 funding request for the trust territory headquarters is $4.63 million, a decrease of $1,514,000 from the current fiscal year. The savings will be achieved by maintaining headquarters operations at the minimum level possible to meet our remaining responsibilities under the trusteeship agreement. Nearly every activity at headquarters will be reduced and the public affairs and resources and development activities eliminated. The administration activity alone will be reduced by over $1 million.

The construction funding request for capitol relocation is $7.8 million, an increase of $4.92 million over the current fiscal year. Special programs funding requests include $800,000 for Enewetak support and $500,000 for Bikini support, to continue the Bikini resettlement program proposed in our 1982 supplemental appropriation request of $21 million.

While no new funding is being requested in 1983, the ongoing capital improvement program will continue with funds appropriated in prior fiscal years, and Captain Heffernan is here to testify as to the progress of the CIP program.

In conclusion, Mr. Chairman, I would like to seek your continued cooperation and support of our efforts in the transition process. As trust territory headquarters continues to phase down to a minimum level, and as the three new governments assume the increasing responsibilities of self-government, many varied and complex problems have and will continue to surface. We have tackled each problem with the best possible solution, keeping in mind the interests of both the United States, in our role as administrating authority, and the new Micronesian governments, in their roles as duly constituted governments representing the Micronesian people.

The process of relinquishing governmental authority to the new governments remains a unique challenge. Your past cooperation and support have been instrumental in our success, and it is hoped that such support will continue during the remaining phases of the transition process.

Thank you.

Senator McCLURE. Thank you very much.

Captain Heffernan, did you have a separate statement?

Captain HEFFERNAN. No, sir. I can answer any questions that you may have. I believe Mr. High has already submitted some things to your staff.

Senator McCLURE. Thank you very much.

Ms. McCOY. I think you have gotten this, Senator. This is the complete, up-to-date report of the 5-year capital improvement program.

Senator McCLURE. We have that.

TTPI CAPITAL IMPROVEMENT PROGRAM

Mr. Secretary and Madam Commissioner, I appreciate your statements. You indicated that you appreciate the cooperation we have had. I want to start on a note that indicates that I haven't always gotten the kind of cooperation I thought was necessary, and I will apologize in advance for it, but I am not sure an apology is really due.

As you are aware, the committee requested a review of the capital infrastructure program in the Trust territory and just prior to the appropriations hearings last year you submitted a report prepared by Navy OICC on the 5-year program.

At last year's hearing I requested a quality assessment of the entire infrastructure of the trust territory and was told that you would do that and it could be done within 3 months.

On May 26, 1981, I wrote Secretary Watt to confirm my request for a quality assessment review, and on June 25, 1981, Under Secretary Hodel responded that "I am pleased to inform you that we will perform a comprehensive quality review of the construction program in the Trust Territory of the Pacific Islands. As you suggested, we will focus on deficiencies and the appropriate actions necessary to correct the problems. I anticipate the project will take approximately 3 months to complete and the report should be available before the end of fiscal year 1981."

QUALITY ASSESSMENT REVIEW

When the report was not submitted, I asked for its status and was told that all information was gathered and the report was still under review. When the report was not forthcoming in January, I had staff call Stan Hulett and request the report and inform him that I would ask Secretary Watt where the report was at the March 2 hearing if it had not been received by that time.

I was again informed that the report was under review. On March 2, I did submit a question to the Secretary and his response was "This report is in the final stages of the review process and will be sent to you prior to the 1983 OTIA appropriations hearings."

The Secretary did note that reprograming proposals would accompany the study.

I finally received that study and the reprograming on May 5, virtually a year after the request was made and just before this hearing.

I fail to understand why a simple request for factual information should require more time to review than to prepare. I also fail to understand why the Congress should be denied information which you admit is available while you contemplate reprograming proposals.

I do not want to suggest that your data was dependent upon and is presented to reflect your budget request, but that possibility does seem to be highly likely.

We could, of course, have prepared that report in this hearing. The Micronesian representatives are here, Navy OICC is here, the High Commissioner and her staff are here, you and your staff are here. Since we obviously have not had a sufficient opportunity to review the report, do we need to go through the trust territory project by project, island by island, atoll by atoll asking what is there, what condition it is in, what the maintenance costs are, whether rehabilitation or replacement is needed and how much it will cost, what the capability for maintenance is and what provision you are making for training for maintenance?

Can you offer an explanation of why it took so long to provide us a report that was completed last September but couldn't be made available to this committee until May?

Mr. SANJUAN. Mr. Chairman, I really feel that there is no excuse for such delay. I can only say to you that in the future we will build a fire under everybody at Interior to make sure that these matters are performed on time.

Frank Solomon, I think, can give you some of the particulars as to what mechanics it went through and why it took so long to have the review process. He was involved in it very, very closely under my supervision. Frank.

Mr. SOLOMON. Yes, Mr. Chairman.

REASONS FOR DELAY

As you know, I was involved in the preparation of the report, and we completed the field work and had a draft report completed in the fall. The reason for the delay in submission was that at the time we wanted to review a number of reprograming proposals that were being developed through the Acting Deputy High Commissioner that we felt should be a part of the report. We delayed submitting the report, the final product, to you until the final proposals on the reprograming actions were developed and made part of the report itself.

Senator MCCLURE. I understand that. But the other side of that simply has to be that the report was a report. Reprogramings are separate from that. As a matter of fact, you've been sitting on the report since last September. Not you personally. I understand that. And not even you, Mr. Sanjuan. Not even the Department of the Interior, I suspect. I know the President has to have an Office of Management and Budget. Somebody downtown has to know what is happening. In this instance I'm not sure anybody did. That is what disturbs me. Here we come up to a reprograming request and a budget request upon which we are supposed to make judgments, when all of the materials that you have had you have withheld for 7 months, and we haven't had access to it in spite of repeated requests.

Mr. Sanjuan, I understand that isn't your normal mode of operation. I appreciate that. You suggest that you might build a fire under somebody. I suggest that I might help. [Laughter.]

I don't mean to be abrasive about it, but it simply is intolerable. I know, too, one of the major problems that we have is as we are going through the status negotiation we have Department of State out negotiating without telling other people what they are doing. And I know you have an elaborate coordination system, but everything gets lost in the coordinating system. The system is so elaborate that the coordination is more important than the substance. It's an absolutely intolerable situation.

And now you come up and you ask us with a budget request that doesn't even match the promises made during the status negotiation. I don't know exactly what we are supposed to be telling the U.N. Trusteeship Council, as an example. The people out in the islands are entitled to better consideration than that. They are entitled to a little bit more honesty from this administration in each of its several voices.

Could I ask, in the same light, what is the status of the transportation report required under Public Law 96-597?

Mr. SOLOMON. Mr. Chairman, we went out with a request for bids and we received bids from prospective contractors who wished to do the study, but we did not have specific funding available for that project. There were no funds available to award that contract.

Senator MCCLURE. Well, TIA did indicate to us last year that it couldn't do a full bore study without additional funding, but they also told us it would provide at least some part of the report by the October 1, 1981, statutory deadline. You haven't even submitted the partial report. I'm not sure you've even requested the funds in the 1982 or 1983 budgets to conduct the study. Am I correct?

Mr. SANJUAN. Yes, sir.

Senator MCCLURE. You can't do the study you are mandated to because you don't have the money and you don't even ask for the money, which indicates to me you don't have any intention of doing the study.

THE SAIL-ASSISTED TECHNOLOGY STUDY

Mr. SANJUAN. The sail-assisted technology study?

Senator MCCLURE. The transportation study.

Mr. SANJUAN. Yes; that's the sail-assisted technology study.

Senator MCCLURE. Well, what are we going to do about it? Have you requested that the mandate under the law be repealed?

Mr. SANJUAN. I think that with our technical assistance proposals we will have in our new program, this could be subsumed and could be done. There are, I gather, shortcuts that can be made. I've talked to a number of people who feel that the entire design of sail-assisted technology is not necessary since there is a considerable amount of knowledge in this area already, and that something could be put together that would be meaningful with reduced budgetary allocations.

Senator MCCLURE. How much do you think this study will cost?

Mr. SANJUAN. I feel that we could do something for maybe $100,000, and I think that I can allocate some technical assistance funds for that.

Senator MCCLURE. The cost estimate hasn't escalated. That's what you said a year ago. We've only lost a year.

Do you ever do studies or reports without specifically identifying them in your budget justification?

Mr. SANJUAN. Yes; we do. We intend to do that in the technical assistance program.

Senator MCCLURE. You do it often, as a matter of fact, don't you?

Mr. SANJUAN. Yes.

Senator MCCLURE. What makes this study different from the others? Is it simply because it was mandated by Congress?

You know, this isn't my amendment that caused it to be done. I am not speaking just for myself. But institutionally, it seems to me when the Congress says do something, the administration should say, yes, we'll do what the law says.

Mr. SANJUAN. It is a question perhaps of previous priorities and a question of the amount of money we had last year, which was a quarter of a million dollars. This year, with an increased technical assistance budget and with some moneys that still remain to be spent I believe that we could do the study.

TECHNICAL ASSISTANCE FUNDS

Senator McCLURE. Well, you've got technical assistance down at $750,000 to be spread over all of the territories. That is a pretty minimal fund already for technical assistance. You indicate this study may cost $100,000. That would leave $650,000 to be spread over all of the territories. Mr. Secretary, do you really believe that fund is adequate?

Mr. SANJUAN. Well, as I said in my statement, Mr. Chairman, adequate funding for the purpose of establishing a viable economic development infrastructure in Micronesia prior to the establishment of free association is a very difficult thing to define and establish in absolute terms. In relative terms, and my own personal opinion is, there are many important things that can be done and should be done. But we do have budgetary constraints. We're working under very, very considerable constraints, and we've had to accept certain priorities. We are working within those very narrow parameters.

We have chosen the items that have the greatest importance. We have had to neglect other matters that have less priority.

Senator McCLURE. I understand that. It permeates every budgetary consideration we have this year, and it is a difficult year. There isn't any question about that.

Ms. McCOY. I am somewhat familiar with the motor/sailer project. Dan High was ready to speak thoroughly on it. It is still being thoroughly investigated and being studied. There was a group in Hawaii who originally started to do it. I believe this was partly Senator Matsunaga's request and his idea.

The man who had been designated to complete the study went out to Enewetak. That is, of course, where it was to be based. That is what it was originally designed for. He spent quite a bit of time and went over the whole thing, came back in, and he and Dan have met several times on it. He seems to feel there might be a little too much involved here for use at this particular time on Enewetak.

But I am sure that we can furnish you with a complete report on the status of the thing as soon as Dan gets back on his feet.

Mr. SANJUAN. That would be a part of it. It is not the entire study. But I think that would be a very good beginning on which to base the concepts that will apply to all of Micronesia. I am aware that that is not the whole study Senator Matsunaga had in mind.

Senator McCLURE. I appreciate your comment, because I was about to make the same one. It is not the whole scope.

Mr. SANJUAN. But I do think it is probably the nucleus for the study.

FEDERAL GRANTS

Senator McCLURE. Has the Department conducted a study to determine the total level of funding reductions imposed over the past year by other governmental agencies that would have gone to the territories?

Mr. SANJUAN. Yes, we have. It has been very difficult. It is very hard to find information that applies to the other agencies.

Senator McCLURE. I can understand if you had as great a difficulty getting information from them as I have had in getting it from you that you indeed have had difficulty. [Laughter.]

Mr. SANJUAN. It was even harder.

There is a reason for it. It is not recalcitrance or turf defense or that sort of thing. It is a question of the lack of coordination that there has been in our Government over many, many years in matters that deal with the Pacific and that deal with the territories.

Senator McCLURE. I would certainly underscore that, and I commend you for recognizing that difficulty.

Mr. SANJUAN. We've got to do something to change that, and we are. That's part of, again, this new program that I have. I find, for example, that many of the requests to other departments come through San Francisco and there is no coordination in how they are granted. We want to find out just exactly what areas have needs and would like to be able to know what departments have what programs.

It also is a type of insurance. The administration recognizes it, and I know that OMB does too. We are dealing with brittle economies, and we are dealing with something that is not analogous to the continental economic picture. Therefore, we have to understand the constrictions that may apply to the territories in a different way than we understand the economy of the continent.

We ought to know, therefore, what other departments are doing in terms of grant programs, because their cuts will not be handled in the same specific fashion that Interior Department cuts will be handled. We ought to be having the whole picture. So that's one of the reasons.

The thing is underway.

Mr. Baldauf, my budget officer, will give you the status.

RESULTS OF BUDGETARY SURVEY

Mr. BALDAUF. Mr. Chairman, we just received from OMB late last week the results of the survey they did with all Federal agencies for 1979, 1980, and 1981, and all the categorical grants that are now combined into the 16 block grants; all that funding is compiled for us. We are looking at that right now. That same information has contacts in all the Federal agencies and will enable us to get a better handle on 1982 and 1983 funding.

We do have some of the 1982 and 1983 funding information now, but it is not enough to make any kind of determination.

Senator McCLURE. Can you make that available to this committee?

Mr. BALDAUF. Yes, we can, sir.

Senator McCLURE. I almost hesitate to ask when. [Laughter.]

Mr. BALDAUF. We'll have it hand carried up tomorrow, Mr. Chairman.

Senator McCLURE. Thank you.

[The information follows:]

ILLUSTRATIVE LIST OF PROGRAMS FOR TURNBACK TO THE STATES

Category/Program (Number of Programs)	Number of Grants
EDUCATION AND TRAINING (5)	
Rehabilitation Services	5
Basic State Grants	
Innovation and Expansion	
Service Projects	
Independent Living	
Training	
Vocational and Adult Education	9
Vocational Education	
Basic Grants	
Program Improvement & Supportive Services	
Programs of National Significance	
Special Programs for the Disadvantaged	
Consumer and Homemaking Education	
State Advisory Councils	
State Planning	
Permanent Appropriation	
Adult Education	
Basic Grants	
State Block Grant (ECIA Chapter 2 predecessor programs)	28
Basic Skills	
PUSH for Excellence	
Cities in Schools	
Metric Education	
Arts in Education	
Consumer Education	
Law-Related Education	
National Diffusion Network	
Biomedical Sciences	
International Understanding	
Instructional Materials and School Resources	
Improvement in Local Practice	
Strengthening State Educational Management	
Emergency School Aid	
Basic Grant to LEAs	
Special Programs and Projects	
Magnet Schools	
Grants to Nonprofit Organizations	
Educational TV and Radio	
Community Schools	
Gifted & Talented	
Ethnic Heritage Studies	
Teacher Corps	
Teacher Centers	

Category/Program (Number of Programs)	Number of Grants
State Block Grant (ECIA Chapter 2 predecessor programs) (continued)	
Pre-College Science Teacher Training	
Career Education Incentives	
Educational Television Programming	
Alcohol and Drug Abuse Education	
Follow-Through	
CETA	5
General Training Grants	
Youth Community & Conservation Improvement Projects	
Youth Employment & Training Programs	
Summer Youth Employment Program	
Private Sector Program	
WIN	1
TOTAL	48
INCOME ASSISTANCE (2)	
Low Income Home Energy Assistance	1
Emergency Assistance	1
TOTAL	2
SOCIAL, HEALTH AND NUTRITION SERVICES (18)	
Child Nutrition	10
School Lunch	
Special Meal Assistance	
School Breakfast	
Equipment Assistance	
State Administrative Expenses	
Summer Feeding	
Child Care Feeding	
Commodity Procurement	
Nutrition Education and Training	
Special Milk	
Child Welfare	2
Services	
Training	
Adoption Assistance	1
Foster Care	1
Runaway Youth	1
Child Abuse	1

Category/Program (Number of Programs)	Number of Grants
Social Services Block Grant	3
Grants to States	
Child Day Care	
State and Local Training	
Legal Services	1
Community Services Block Grant (Community Action Agencies)	1
Prevention Block Grant (predecessor programs)	8
Rat Control	
Fluoridation	
Hypertension	
Health Education/Risk Reduction	
Health Incentives	
Home Health	
Emergency Medical Services	
Rape Crises Counseling	
Alcohol, Drug Abuse & Mental Health Block Grant (predecessor programs)	5
Mental Health Services	
Alcohol Community Programs	
Alcohol Grants to States	
Drug Abuse Community Programs	
Drug Abuse Grants to States	
Primary Care Block Grant (Primary Care Health Centers)	1
Maternal & Child Health Block Grant (predecessor programs)	7
Maternal & Child Health Grants to States	
Maternal & Child Health SSI Children	
Hemophilia	
Sudden Infant Death Syndrome	
Lead-Based Paint Poisoning	
Genetic Diseases	
Adolescent Pregnancy	
Primary Care Research & Development	1
Black Lung Clinics	1
Migrant Health Clinics	1
Family Planning	1
Women, Infants & Children (WIC)	2
Special Supplemental Food	
Commodity Supplemental Food	
TOTAL	48

Category/Program (Number of Programs)	Number of Grants
TRANSPORTATION (12)	
Grants-in-Aid for Airports Grants for Planning Grants for Construction	2
Primary Highway System	1
Rural & Small Urban Transportation	1
Urbanized Area Transportation	1
Bridges	1
Construction Safety	1
Other Highways	1
State and Community Highway Safety	1
Highway-Related Safety Grants	1
Interstate Transfers - Highways	1
Appalachian Highways	1
Urban Mass Transit Capital Operating Interstate Transfers	3
TOTAL	15
COMMUNITY DEVELOPMENT & FACILITIES (6)	
Rural Water & Waste Disposal Grants	1
Water & Sewer Facility Loans	1
Community Facility Loans	1
Community Development Block Grant Entitlements Small Cities	2
Urban Development Action Grants	1
Waste Water Treatment Grants	1
TOTAL	7

Category/Program (Number of Programs)	Number of Grants
REVENUE SHARING & TECHNICAL ASSISTANCE (2)	
OSHA State Grants (Operational Grants)	1
General Revenue Sharing (Local Grants)	1
TOTAL	2
GRAND TOTALS	
PROGRAMS (44 ADOPTION ASSISTANCE)	45
SUB PARTS GRANTS	122

OVERVIEW OF DATA BASE ON ILLUSTRATIVE TURNBACK PROGRAMS

The turnback data base is designed to contain State-by-State* information on each of the over 40 programs tentatively proposed for return to the States. Data are for fiscal years 1979, 1980 and 1981 and are as follows:

Grant Programs: Net actual obligations.

Loan Programs: New loan obligations.

Only data on program components and their predecessors funded in 1982 are included in the data base. Notes on the current status of the data are attached.

Runs from the data base always reflect the best data available at the time. In some programs, discretionary obligations for a State in fact support activities that benefit a region (e.g., contract training) or all States (e.g., clearinghouses). The State-by-State estimates will be continually refined to adjust for such obligations.

* Includes the District of Columbia.

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY PROGRAM
(DOLLARS IN THOUSANDS)

STATE	Alcohol, Drug, Mental Health Block Grant			
	1979	1980	1981	TOTAL
American Samoa	9	15	5	29
Guam	710	709	549	1968
N. Mariana Is.	75	8	2	85
Puerto Rico	8909	7009	5647	21565
Trust Terr.	0	51	16	67
Virgin Island	1325	1392	1265	3982
TOTAL	11028	9184	7484	27696

STATE	Appalachian Highways			
	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	0	0	0	0
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	0	0	0	0

Black Lung Clinics

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	0	0	0	0
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	0	0	0	0

Bridges

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	2199	328	2981	5508
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	2199	328	2981	5508

CETA

STATE	1979	1980	1981	TOTAL
American Samoa	501	632	594	1727
Guam	2447	3012	2857	8316
N. Mariana Is.	97	120	114	331
Puerto Rico	80218	109213	101922	291353
Trust Terr.	634	806	760	2200
Virgin Island	2604	3264	3074	8942
TOTAL	86501	117047	109321	312869

Child Abuse

STATE	1979	1980	1981	TOTAL
American Samoa	25	39	39	103
Guam	26	43	42	111
N. Mariana Is.	0	0	0	0
Puerto Rico	97	163	146	406
Trust Terr.	0	0	0	0
Virgin Island	27	41	41	109
TOTAL	175	286	268	729

Child Nutrition

STATE	1979	1980	1981	TOTAL
American Samoa	1888	2181	1738	5807
Guam	2369	3231	3212	8812
N. Mariana Is.	222	1015	1129	2366
Puerto Rico	86631	99864	101666	288161
Trust Terr.	4561	4572	7998	17131
Virgin Island	3462	3508	4476	11446
TOTAL	99133	114371	120219	333723

Child Welfare

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	90	130	226	446
N. Mariana Is.	55	80	100	235
Puerto Rico	1505	1812	5619	8936
Trust Terr.	0	0	0	0
Virgin Island	84	121	203	408
TOTAL	1734	2143	6148	10025

Community Development Block Grant

STATE	1979	1980	1981	TOTAL
American Samoa	114	200	300	614
Guam	2975	1100	2500	6575
N. Mariana Is.	450	100	300	850
Puerto Rico	97154	110792	107548	315494
Trust Terr.	1000	600	400	2000
Virgin Island	1677	500	1500	3677
TOTAL	103370	113292	112548	329210

Community Facility Loans

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	3500	0	400	3900
N. Mariana Is.	0	0	0	0
Puerto Rico	10452	7000	9696	27148
Trust Terr.	0	0	0	0
Virgin Island	0	0	1200	1200
TOTAL	13952	7000	11296	32248

Community Services Block Grant

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	16698	16618	16730	50046
Trust Terr.	0	0	0	0
Virgin Island	591	591	553	1735
TOTAL	17289	17209	17283	51781

NOTE: An additional $1,339,000 was distributed to territories other than Puerto Rico and the Virgin Islands in fiscal year 1979; $896,000 in fiscal year 1980; and $370,000 in fiscal year 1981. The Department was unable to distribute these funds among the individual territories.

Construction Safety

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	120	0	120
N. Mariana Is.	0	0	0	0
Puerto Rico	844	452	4049	5345
Trust Terr.	0	0	0	0
Virgin Island	36	0	0	36
TOTAL	880	572	4049	5501

Emergency Assistance

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	78	70	130	278
Trust Terr.	0	0	0	0
Virgin Island	2	0	23	25
TOTAL	80	70	153	303

Family Planning

STATE	1979	1980	1981	TOTAL
American Samoa	59	50	55	164
Guam	85	85	115	285
N. Mariana Is.	90	30	40	160
Puerto Rico	683	1213	1329	3225
Trust Terr.	0	60	80	140
Virgin Island	0	74	160	234
TOTAL	917	1512	1779	4208

Maternal & Child Health Block Grant

STATE	1979	1980	1981	TOTAL
American Samoa	348	323	326	997
Guam	535	506	527	1568
N. Mariana Is.	1023	303	305	1631
Puerto Rico	9896	10164	10536	30596
Trust Terr.	0	699	698	1397
Virgin Island	992	992	992	2976
TOTAL	12794	12987	13384	39165

Low Income Home Energy

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	40	40
Guam	0	0	87	87
N. Mariana Is.	0	0	30	30
Puerto Rico	95	0	2168	2263
Trust Terr.	0	0	92	92
Virgin Island	60	0	83	143
TOTAL	155	0	2500	2655

Legal Services

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	341	341
N. Mariana Is.	435	448	469	1352
Puerto Rico	13257	13562	16290	43109
Trust Terr.	531	547	574	1652
Virgin Island	503	574	585	1662
TOTAL	14726	15131	18259	48116

Interstate Transfers - Highways

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	0	0	0	0
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	0	0	0	0

Highway Related Safety Grants

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	277	277	278	832
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	277	277	278	832

Grants-In-Aid For Airports

STATE	1979	1980	1981	TOTAL
American Samoa	229	247	221	697
Guam	2338	834	2443	5615
N. Mariana Is.	3058	2340	471	5869
Puerto Rico	8324	2926	681	11931
Trust Terr.	740	1746	517	3003
Virgin Island	16346	4363	1891	22600
TOTAL	31035	12456	6224	49715

General Revenue Sharing (Local Grants)

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	0	0	0	0
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	0	0	0	0

Foster Care

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	21	10	31
N. Mariana Is.	0	0	0	0
Puerto Rico	0	0	0	0
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	0	21	10	31

Migrant Health Clinics

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	1677	1841	1888	5406
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	1677	1841	1888	5406

OSHA State Grants (Operational Grants)

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	1188	1300	1192	3680
Trust Terr.	0	0	0	0
Virgin Island	121	208	48	377
TOTAL	1309	1508	1240	4057

Other Highways

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	2177	2127	1889	6193
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	2177	2127	1889	6193

Prevention Block Grant

STATE	1979	1980	1981	TOTAL
American Samoa	206	197	52	455
Guam	296	343	218	857
N. Mariana Is.	674	184	39	897
Puerto Rico	2762	3744	1389	7895
Trust Terr.	0	423	107	530
Virgin Island	709	487	173	1369
TOTAL	4647	5378	1978	12003

Primary Care Block Grant

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	6905	6875	7224	21004
Trust Terr.	0	0	0	0
Virgin Island	265	380	477	1122
TOTAL	7170	7255	7701	22126

Primary Care Research And Development

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	0	0	0	0
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	0	0	0	0

Primary Highway System

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	165	10380	25266	35811
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	165	10380	25266	35811

Rehabilitation Services

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	132	132
Guam	824	953	912	2689
N. Mariana Is.	26	62	137	225
Puerto Rico	18499	19078	18943	56520
Trust Terr.	410	380	427	1217
Virgin Island	620	890	913	2423
TOTAL	20379	21363	21464	63206

Runaway Youths

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	50	50	0	100
N. Mariana Is	0	0	0	0
Puerto Rico	68	37	206	311
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	118	87	206	411

Rural & Small Urban Transportation

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	2386	2229	2193	6808
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	2386	2229	2193	6808

Rural Water And Waste Disposal Grants

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	10542	9960	7105	27607
Trust Terr.	0	0	0	0
Virgin Island	0	500	0	500
TOTAL	10542	10460	7105	28107

Social Services Block Grant

STATE	1979	1980	1981	TOTAL
American Samo	0	0	0	0
American Samoa	0	0	0	0
Guam	169	161	177	507
N. Mariana Is.	0	0	0	0
Puerto Rico	19621	24281	14894	58796
Trust Terr.	0	0	0	0
Virgin Island	684	653	514	1851
TOTAL	20474	25095	15585	61154

State Block Grant (ECIA Chapter 2)

STATE	1979	1980	1981	TOTAL
American Samoa	1222	806	421	2449
Guam	1891	1879	907	4677
N. Mariana Is.	195	252	235	682
Puerto Rico	12970	8964	5435	27369
Trust Terr.	1250	1143	814	3207
Virgin Island	2524	1693	951	5168
TOTAL	20052	14737	8763	43552

State & Community Highway Safety

STATE	1979	1980	1981	TOTAL
American Samoa	505	572	648	1725
Guam	505	572	648	1725
N. Mariana Is.	200	572	648	1420
Puerto Rico	1676	1929	1694	5299
Trust Terr.	0	0	0	0
Virgin Island	505	572	648	1725
TOTAL	3391	4217	4286	11894

Urban Development Action Grants

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	3801	2656	8862	15319
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	3801	2656	8862	15319

Urban Mass Transit

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	75	75
Guam	11	0	139	150
N. Mariana Is.	1	0	1	2
Puerto Rico	13388	17145	20981	51514
Trust Terr.	0	0	0	0
Virgin Island	0	1381	271	1652
TOTAL	13400	18526	21467	53393

Urbanized Area Transportation

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	3852	6810	2192	12854
Trust Terr.	0	0	0	0
Virgin Island	0	0	0	0
TOTAL	3852	6810	2192	12854

Vocational & Adult Education

STATE	1979	1980	1981	TOTAL
American Samoa	580	620	0	1200
Guam	304	937	745	1986
N. Mariana Is.	47	682	0	729
Puerto Rico	1241	13938	25578	40757
Trust Terr.	335	1435	0	1770
Virgin Island	588	752	518	1858
TOTAL	3095	18364	26841	48300

Waste Water Treatment Grants

STATE	1979	1980	1981	TOTAL
American Samoa	3148	2345	2506	7999
Guam	5222	1327	2482	9031
N. Mariana Is.	1616	39	615	2270
Puerto Rico	52624	47532	16581	116737
Trust Terr.	8043	4922	5553	18518
Virgin Island	2645	1299	0	3944
TOTAL	73298	57464	27737	158499

Water And Sewer Facility Loans

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	26751	11281	19182	57214
Trust Terr.	0	0	0	0
Virgin Island	0	2500	0	2500
TOTAL	26751	13781	19182	59714

WIN

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	327	276	260	863
N. Mariana Is.	0	0	0	0
Puerto Rico	2635	2364	2559	7558
Trust Terr.	0	0	0	0
Virgin Island	492	410	371	1273
TOTAL	3454	3050	3190	9694

Women, Infants, And Children (WIC)

STATE	1979	1980	1981	TOTAL
American Samoa	0	0	0	0
Guam	0	0	0	0
N. Mariana Is.	0	0	0	0
Puerto Rico	11404	17762	20007	49173
Trust Terr.	0	0	0	0
Virgin Island	598	949	1958	3505
TOTAL	12002	18711	21965	52678

COORDINATING FEDERAL GRANTS

Mr. GESSNER. Mr. Chairman, I would add that as part of our efforts for coordinating Federal grants we do have plans to establish a data base whereby we can keep constant track of all grants that are funded to the territories by all the other Federal agencies. This will help us draw on that kind of information on a much more regular basis.

Senator MCCLURE. Is it too early to answer the question as to whether you see the need for any changes in law or institutional changes to deal with the question of the manner in which these funds flow to the territories?

Mr. SANJUAN. There have been a number of considerations and a number of proposals made concerning the consolidation of grants. It is something that we did not consider for the 1983 budget, in large part because there was a cut that we didn't think was reasonable. We didn't think that the administrative streamlining would justify that size reduction. I think it is important to be able to figure out what is a reasonable type of savings because of streamlining, and what should be included in the whole picture. It's hard to figure the whole thing.

On the other hand, I think it has its plus factors. There was a great deal of confusion when I took my trip to the Pacific in January concerning this large block grant. The publicly perceived idea was that there would be such a grant, in spite of the fact that I said there was not going to be a large block grant. I had to go to great lengths to straighten the record. But I did keep saying to the Guam senate and to other officials, and to the press in Guam in particular, that it would be a very grave mistake to associate as an issue in the public mind the idea of a block grant as something evil, because the proper type of large block grant might be very beneficial.

The whole question is a very difficult one to understand in terms of how it would be administered and if indeed it would be a helpful and useful concept for the territories, and, therefore, we are in a stage of speculation rather than coming to any conclusions.

Senator MCCLURE. I think you would find this committee receptive to whatever steps might be taken or that you might suggest to increase the monitoring of the situation so that we know what is happening. I would certainly agree with you that it has been very difficult to do that in the past. I think we would also be receptive to trying to make it in such a manner that more of the decisions could be made by the emerging governments throughout the trust territory in particular.

Ms. McCoy, it looked to me like you were leaning toward the microphone as though you wanted to say something.

Ms. MCCOY. Well, only that in connection with Federal grants and everything else, one of the first things we have done out there in the territories is to make a complete survey as to how much Federal grant money comes in, and we have the results of it, sir, which you are more than welcome to. I think a copy was being prepared for you. If it hasn't gotten here, you can certainly have it now. As of 1982 we expect to have about $23.3 million in Federal grants coming out to the trust territory.

APPLICATION OF GRANTS FROM TT GOVERNMENTS

Also in connection with this, after consultation with the governments, we have talked about direct application. As you know, they do not have the right yet, although I am not sure that is the right word, but they are not able to apply for the grants themselves as yet. We have our attorney general working on drafting some kind of legislation, which, of course, would have to go through Congress, so that they would be able to apply for their own grants. We already have people in place teaching them how to do some of these things.

Senator McClure. That leads to two questions, one of which you made reference to in your closing sentence, and that is the fact that if they are to be able to make application for and receive block grants they must also then be able to administer it.

Ms. McCoy. That's correct, sir.

TECHNICAL ASSISTANCE FOR FINANCIAL MANAGEMENT

Senator McClure. And that does get back to the question I have asked of each of the territories, how much technical assistance they need for financial management. It seems to me that we have not identified that clearly in terms of the budget requests for technical assistance. If we really mean what we say, and I think we should mean what we say, we ought to be building their capacity to do it themselves. We would not be very successful for very long if we were to give them block grants which then they failed to administer in ways that are appropriate to our responsibilities to the taxpayers of this country. They have got to be able to administer the grants in such a way that they can justify and explain what happened to the money. They have got to be able to keep the records and report back to us what happened.

Ms. McCoy. That is correct, sir, and with as limited a staff as we have, that has been the kind of training that we have been offering the governments, and they have cooperated considerably, so that we have begun to give them a little training on this, and we will continue to do so.

Mr. Sanjuan. I know, Mr. Chairman, you prefer that people be specific and not theoretical. In the first place, one of the most difficult things to find out for all these grants programs is what money would go to the trust territory and what money would go to the other territories. There is where perhaps the most difficult part lies.

Insofar as the ability to administer the programs, I am very seriously concerned about the transition period. In this transition period, you're talking about a period—and you mentioned this also before with respect to negotiations—in this transition period we are talking about a very nebulous concept: How long is this transition period going to be? Therefore, we don't know if there is an adequate amount of time within which these systems and this technical assistance and this expertise can be put in place.

LONG-RANGE ECONOMIC DEVELOPMENT

I think it would be much wiser for us to be talking in terms of longer range economic development. In a period of 2 or 3 years it is very difficult to establish the necessary technical knowhow that is required to administer such enormous programs. I think we ought to be, in the whole process, thinking about the post-compact period, and what technical assistance we must, of necessity, be ready to make available and certainly not force on anybody, but simply have available at that time because it will be needed and required.

With respect to negotiations and funding, I think it is essential that, during the process of negotiations which at the present time are dealing with a compact that is basically a document of semantics, we keep transition funding separate as a matter that has to do with the needs of the area for long periods of time and does not affect the negotiations directly. I think in particular, when we don't have even such matters as strategic denial settled yet with regard to this area, we cannot use back and forth leverage on this question. I think that would be a great mistake for everybody, including Micronesia.

Senator McClure. Well, as you know, Mr. Secretary, you've raised an issue that is very important to me, and that is the area of strategic denial, which I think is in the interest of the peoples of these territories as well as to the people of the United States. They have a right to expect from us, however, something in return for that, and that is in the negotiation process. But in that negotiation process we have also identified certain basic capital infrastructures, and I don't see that identification being carried forward in the budget. Do I anticipate from that and from your comments that at the conclusion of the negotiations the administration will make whatever budget request is necessary to fulfill the commitments made during the negotiations?

CONSOLIDATION OF TECHNICAL ASSISTANCE AND BUDGETARY PROCESSES

Mr. Sanjuan. That is precisely why a basic and very, very profound reorganization of TIA, the Office of Territorial and International Affairs, is underway right now. My idea is to take the entire technical assistance aspect of TIA and put it generally under and together with the whole budgetary process and with a person of considerable experience and knowledge in this area placed in charge of the whole thing, and to develop a system of going out toward the Pacific with an office in Honolulu staffed by three people and some people out in the field where we can actually improve the communications between the source of the problems and the source of the assistance.

It has been very difficult to bring people back or to, for example, send somebody like Frank Solomon along with members of your staff into the Pacific and then have them come back all the way over here. I would rather see something in place—which, by the way, I don't think will cost anything over budget—in the Pacific where the communications from Hawaii are much faster. We can have one person come into Washington or the other way around, and begin to actually understand the nature of the problems of what is left in the CIP, the 5-year program, and what we need to do not only within the transition period, but in the long 10- or 15-year period in making available to the new governments the technical assistance that they must acquire.

Senator McClure. I understand what you are saying, but it seems to me that while you are trying to keep the two things separate you may have separated them so far that the left hand doesn't know what the right hand is doing, and they are attached to the same body. They ought to have a central nervous system somewhere.

Mr. Sanjuan. What I meant to say in terms of the separation, the negotiations cannot be conducted on the basis of upping the ante or developing demands before the negotiating table. The two, however, are connected, and I do feel that our office and the Office of Micronesian Status Negotiations have a very close relationship and we do keep in very close touch with each other.

Senator McClure. I wish I could see greater evidence of that. What we develop in terms of the capital infrastructure in the ordinary process of budgetary development certainly has a bearing upon the realism of demands that may be made for capital infrastructure in place in the status negotiations. It is impossible to separate the two, and the people that are talking in those two areas ought to be talking the same language. Otherwise there is an essential disconnect, and that will lead to misunderstanding, if it has not already done so. It will also exacerbate the difficulty of coming to an understanding as to what is meant in the two areas.

Mr. Sanjuan. We do have to establish, Mr. Chairman, what is needed and what is not in terms of priorities, in terms of immediate priorities, and there is a great deal of confusion in that area that I think we should clear up.

FUNDING REDUCTIONS

Senator McClure. It needs to be cleared up. But there are some other problems that are associated too with the reduction in the level of funding. As I understand, you are not yet ready to say exactly what that may be; you've just received the report from OMB and haven't had the time to analyze that. Has the Department made any plans to offset the loss of any Federal programs or funds from other governmental agencies with new programs or funds of its own? Do you get a downturn in HHS and a corresponding increase in the Department of the Interior?

Mr. Sanjuan. I would say generally that in this budgetary process, the 1983 budget process, that was not possible. We did not have all the information concerning the cuts in the other areas.

Senator McClure. But the cuts are there, and if you don't have the ability to plug it back in the other side, that means a net loss, doesn't it?

Mr. Sanjuan. Well, I think the budgetary constraints this time around meant it to be that way.

THE BLOCK GRANT NUTRITION PROGRAM

Senator McCLURE. Well, let me give you an example. The President is proposing a block grant nutrition program to the territories and elimination of their participation in school lunch programs. The proposal requires the territories to assume 50 percent of the administrative cost. That is standard in the block grant process, in the way we would deal with States and municipalities in the 50 States of the United States. But since we appropriate directly or indirectly for operations, the local 50 percent required under this nutrition program comes from Interior's budget. If we set up a block grant for nutrition programs that requires 50-percent local share and that 50-percent local share has to come out of Interior budget, are plans being made to include in Interior's budget that 50-percent share?

Mr. SANJUAN. Richard Miller will answer that.

Mr. MILLER. I have been working on this subject and collecting some of the data. I am not familiar with the specific issue of the 50-percent administrative cost on the nutrition grant. The nutrition grant is a grant consolidation. It was done by the Department of Agriculture, I think, within the spirit of Public Law 95–134, which authorizes agencies to do that. I think that the cuts in general in the program were not out of line with the cuts that they made in the same programs in the States. There were cuts. There are cuts in all the programs.

There is also a requirement, of course, that some of the administrative costs be covered locally. And I think basically you are quite right, these come out, to a large extent, a varying extent among the territories, of Interior appropriations. But there is also an assumption, and I think a legitimate assumption, that there is a reduction in the cost of administering these programs with the block grant or consolidation approach.

Senator McCLURE. I am sure that is true, but if you have made no provision for that 50-percent share of the administrative costs, they don't have just a reduction of administrative costs, they've got a 50-percent cut. They have got a total cut in their share. It's 100-percent cut in the amount of administrative costs that they are supposed to bear.

GRANTS CONSOLIDATION

Mr. MILLER. I don't think it comes out to that much of a cut. But you are correct, there is a cut.

Senator McCLURE. Well, tell me why it doesn't come out that way if you don't know what it is and you've made no provision for it?

Mr. MILLER. I am just making the point that the consolidation of grants, as in the nutrition grant, should and will reduce the total administrative costs of administering the program.

Senator McCLURE. Surely, but there is no provision for any administrative cost.

Mr. MILLER. Again, I believe there is a provision for some administrative costs.

Senator McCLURE. All right, the 50 percent. So the 50 percent which we provide on one hand will be reduced proportionately, and the 50 percent that we provide on the other hand will be eliminated completely.

Mr. MILLER. You're getting beyond my knowledge of that particular program.

Senator MCCLURE. Let's not look at a particular program; let's look at a hypothetical. We have a number of programs put together. We are going to put together a block grant. We will say to them now you have a block grant, and we will assume that because you have a block grant there is administrative efficiency in this program. We are going to reduce administrative costs because there is a block grant. We will give you 50 percent of the anticipated administrative costs. And let's just take a figure, for example. The total administrative cost of a particular program in a particular area is assumed under the old system to be $100,000 and under the new system is assumed to be $80,000. We are going to save 20 percent by an efficiency of administration by moving to the block grant. So we will reduce the size of the grant that we give you. Assuming that efficiency, we will give you 50 percent of the 80 percent. That's $40,000. You get nothing on the other side. So where there was an administrative overhead of $100,000 there is now provision for the administration overhead of $40,000. Now that mathematics is not very tough. It couldn't be or I wouldn't have understood it. [Laughter.]

But that is what is happening, unless at the same time we make these administrative changes we recognize that when we shift from funding of administrative costs within the program we shift the cost share, and the cost share for the territories comes out of a different part of the Federal appropriations for which there is zero consideration.

INCREASES IN COST OPERATIONS

Mr. GESSNER. Mr. Chairman, I think you will find in this budget that for those territories that receive direct operations grants there are increases across the board for 1983.

Senator MCCLURE. Is it identified with respect to the programs in which block grants are going to shift to a 50-percent cost share?

Mr. GESSNER. No; it is not. There are, nonetheless, increases.

Senator MCCLURE. For what reason?

Mr. GESSNER. Costs of operations.

Senator MCCLURE. Costs of what operations?

Mr. GESSNER. Governmental operations.

Senator MCCLURE. The operations of these programs?

Mr. GESSNER. The operations of all governmental programs.

Senator MCCLURE. But you don't relate the increase to the specific programs. It's kind of like trying to fly a 747 with people that don't know how to read the instruments. You still do it with seat of the pants. I don't think there is any connection between the increased costs of operation and any logical analysis of what the increased operation costs are because of the shift to block grants, and you haven't convinced me that you have even attempted to make that connection.

Mr. SANJUAN. You have convinced me that we ought to look into it and that we should make that connection. The block grant programs have not been implemented yet. I know that in the Northern Marianas, based on the meetings we have had at the White House on these territories, have considered a block grant program which is quite different.

Senator McClure. Well, it is quite different when we are dealing with the territories as distinguished from dealing with the States, because it is assumed that the States are going to pick up some of the load.

Mr. Sanjuan. I would imagine, just personally, that there would be a different implemention of the block grant program where the 50 percent from the territories would not be applicable because of the fact it is basically a strange type of federalism, robbing Peter to pay Paul.

Senator McClure. Well, it either has to be handled differently or recognized in the appropriations through Interior. I don't see it being handled differently or the other either, and I will appreciate it if you would look at that.

Mr. Sanjuan. It would be easier if it were handled differently, yes.

FUNDS FOR A. & E.

Senator McClure. Last year the Congress appropriated funds for A. & E. and site preparation for relocation of the capitols and for the College of Micronesia. How much money have you allocated for the college? And I might just add to that, how did you determine the amount?

Mr. Gessner. Mr. Chairman, the report of the subcommittee said that out of those funds appropriated for A. & E. for capitol relocation there was an expectation that funds would be made available for A. & E. for a new college campus. We didn't view this language as insisting that A. & E. for a new college be funded. We, upon request of the High Commissioner——

Senator McClure. Would you repeat that, please? Did I understand you to say you thought the Congress wrote language in but didn't mean it? Or did the meaning go by us? [Laughter.]

STATUS OF FUNDS

Mr. Gessner. Mr. Chairman, we thought that the language was permissive rather than directive.

Senator McClure. I don't know how we have to write it to say it's directive.

Mr. Gessner. The High Commissioner asked us what the status of that funding was. We advised her of our interpretation of this language and instructed her to make those funds available as she saw fit.

Senator McClure. Here is the permissive language: "Within available funds for relocation of capitols the committee expects funds to provide A. & E. work for the College of Micronesia to be made available."

You sound like my kids talking about permissive actions. [Laughter.]

Ms. McCoy. Senator.

Senator McClure. Yes, ma'am.

Ms. McCoy. I wonder if our budget person could speak to that, please.

Senator McCLURE. Please.

Ms. McCOY. It started out in our territory.

Senator McCLURE. Every once in a while we learn a new definition of words.

Mr. ADELMAN. Mr. Chairman, a little summary of the money that was appropriated for A. & E.. The original request for 1982 asked for $21 million for capitol relocation in the Carter budget, and in the Reagan revision that was downgraded to $3 million. The original $21 million had an identification of $3 million for both Palau and the Marshalls, and $15 million for the FSM, and that same basis would be used for any subsequent reduction of funding for capitol relocation.

Again, the Reagan revision had $3 million, and in the conference committee report that was reduced by 4 percent, as were all TTPI appropriations, which gave us $2,880,000 for capital relocation, and that was divided on the same formula, the ratio of 15–3–3 to the $21 million. That gave Palau and the Marshalls $412,000 each, and the FSM $2,056,000.

In distributing that money we requested of each of the presidents whether or not they would wish to allocate a portion of their A. & E. money to the college, and we've received negative responses so far.

So that is the reason why no money has been given to the college.

Senator McCLURE. Did I understand you to say that you had requested that allocation from each of the governmental units?

Mr. ADELMAN. We have sent notification to each government of their share of the money with the proviso to please let us know if they would like a portion of that money given to the college, and the responses to date have been negative.

Senator McCLURE. Can you answer why you didn't ask them how much of it they expected to rather than whether they wished to? Did you call to their attention that the Congress had made this provision?

Mr. ADELMAN. We quoted your language, the Senate committee language, in our letter to the governments and suggested that some be set aside for the college.

Senator McCLURE. Could you provide for the record a copy of that letter?

Mr. ADELMAN. Certainly, sir.

Senator McCLURE. And responses, if any.

[The information follows:]

The letters to the three governments concerning funding for A. & E. work for the College of Micronesia are attached.

LETTERS FROM JANET J. McCOY

APRIL 9, 1982.

Hon. AMATA KABUA,
President, Republic of the Marshall Isalnds,
Majuro, Marshall Islands

DEAR PRESIDENT KABUA: This letter is to follow up on my grant offer letter to you of March 19, 1982, in which I referred to funding for capitol relocation. The Republic of the Marshall Islands' share of the fiscal year 1982 capitol relocation funding is $412,000, and is intended primarily for A. & E. work.

These funds will be made available to you upon approval of your planned use of the funds. It is our understanding that you have approved a preliminary design developed by our Office of Planning and Statistics and that you have requested additional assistance from OPS in pursuing your preliminary design. All expenses of OPS related to your design work will be reimbursed from your share of the fiscal year 1982 capitol relocation funds. In the meantime, your share of the funds will be held here at headquarters in a Marshall Islands holding account.

Senate Appropriations Committee report language authorized the use of the fiscal year 1982 capitol relocation funding for A. & E. work for a new campus for the College of Micronesia. however, this committee expectation does not have the force of law, nor does it impose a moral obligation to fund college A. & E. If you desire to allocate a portion of your share of the fiscal year 1982 capitol relocation funding for College A. & E. work, please notify Loren Peterson, executive director of the college, and advise us accordingly.

If you have any questions concerning the fiscal year 1982 capitol relocation funding, please let me know.

Sincerely,

JANET J. MCCOY,
High Commissioner,
Trust Territory of the Pacific Islands.

APRIL 14, 1982.

Hon. TOSIWO NAKAYAMA,
President, Federated States of Micronesia,
Kolonia, Ponape, E.C.I.

DEAR PRESIDENT NAKAYAMA: This letter is to follow up on my grant offer letter to you of March 19, 1982, in which I referred to funding for capitol relocation, capital improvements and restoration of prior year projects. The funds for these items are now available, having been apportioned by OMB in category B, not subject to quarterly apportionment.

The Federated States of Micronesia's share of the fiscal year 1982 capitol relocation funding is $2,056,000, and is intended primarily for A. & E. work. It is our understanding that you plan to use outside contractors to continue your capitol relocation A. & E. work. Please advise us if this is still your desire. The $2,056,000 will be allotted to you upon receipt of your written request for release of the funds. In the meantime, your share of the funds will be held at headquarters.

Senate Appropriations Committee report language authorized the use of the fiscal year 1982 capitol relocation funding for A. & E. work for a new campus for the College of Micronesia. however, this committee expectation does not have the force of law, nor does it impose a moral obligation to fund college A. & E. If you desire to allocate a portion of your share of the fiscal year 1982 capitol relocation funding for College A. & E. work, please notify Loren Peterson, executive director of the college, and advise us accordingly.

Capital improvements funding of $1,344,000 is available for rehabilitation of the Truk hospital. These funds will be controlled at headquarters. A construction contract for the second phase of rehabilitation work on the Truk hospital has been executed with Black Micro Corp. and will be monitored and inspected by headquarters staff. The total amount required for the construction contract, contingencies, inspection, and administration is $1,234,000. This will leave a balance of $110,000. It is our understanding that Truk proposes to use the balance of funds to purchase medical equipment, in support of the renovation effort. If this proposal is still valid, please forward a list of the proposed equipment purchases (in priority order) to our Office of Planning and Statistics for review and price solicitation. In the meantime, the balance of any remaining capital improvements funds will be held here at headquarters. For further information on this matter, please refer to my earlier letter to you of February 26, 1982, and my dispatch (P050750Z March 1982) to Governor Aten (copy to you).

Restoration of prior year projects funding, in the amount of $1,930,000, is now available to replace the funds reprogramed in fiscal year 1981 from the Kosrae roads project. These funds will be held here at headquarters until a final determination is made as to the administration of the Kosrae roads project.

If you have any questions concerning the funding for capitol relocation, capital improvements, or restoration of prior year projects, please let me know.

Sincerely,

JANET J. MCCOY,
High Commissioner,
Trust Territory of the Pacific Islands.

APRIL 9, 1982.

Hon. HARUO I. REMELIIK,
President, Republic of Palau,
Koror, Palau, W.C.I.

DEAR PRESIDENT REMELIIK: This letter is to follow up on my grant offer letter to you of March 19, 1982, in which I referred to funding for capital improvements and capitol relocation, and my letter to you of April 5, 1982, subject: Palau interim capitol. The Republic of Palau's share of the fiscal year 1982 capitol relocation funding is $412,000, and is intended primarily for A. & E. work. In addition, the following amounts were appropriated for capital improvements in fiscal year 1982: $480,000 for emergency repairs to McDonald Memorial Hospital, $480,000 for A. & E. for new hospital facilities, $480,000 for water system repair, and $480,000 for emergency public works projects. These funds will be made available to you upon approval of your planned use of the funds.

In out understanding that you have received and are still reviewing a revised capitol design prepared by our Office of Planning and Statistics. All expenses of OPS related to your design work will be reimbursed from your share of the fiscal year 1982 capitol relocation funds. We need to know, as soon as possible, how you intend to proceed with your capitol A. & E. work. For further information, please refer to my letter to you of April 5, 1982. In the meantime, your share of the funds will be held here at headquarters in a Palau holding account.

Senate Appropriations Committee report language authorized the use of the fiscal year 1982 capitol relocation funding for A. & E. work for a new campus for the College of Micronesia. however, this committee expectation does not have the force of law, nor does it impose a moral obligation to fund college A. & E. If you desire to allocate a portion of your share of the fiscal year 1982 capitol relocation funding for College A. & E. work, please notify Loren Peterson, executive director of the college, and advise us accordingly.

The $1,920,000 for capital improvements will be made available to you upon approval of your planned use of the funds for each of the four items. Concerning the $80,000 for emergency repairs to McDonald Memorial hospital, please refer to my P060257Z April 1982. As with the capitol relocation funding, the funds for capital improvements will be held here at headquarters in a Palau holding account until approval of your plans.

If you have any questions concerning the fiscal year 1982 capitol relocation funding and capital improvements funding, please let me know.

Sincerely,

JANET J. MCCOY,
High Commissioner,
Trust Territory of the Pacific Islands.

MAINTENANCE REQUIREMENTS

Ms. MCCOY. I might point out, Senator, that it is my understanding that FSM is using some of their money for A. & E. for their new capitol out at Palikir and also using part of it for looking at the site for the college if the college were to move out to Palikir.

Senator McClure. I would appreciate whatever information you can give me with respect to that subject.

What is the public works budget proposed for the trust territory government for fiscal 1983?

Mr. Adelman. The total trust territory-wide is $13,693,000.

Senator McClure. Of that amount, how much goes to meet basic maintenance requirements and how much is for fuel costs?

Mr. Adelman. For fuel there is $7,388,000, $4,324,000 for basic operations and maintenance, and another $1,922,000 for utility services.

Senator McClure. Last year a report was completed on the maintenance needs of the trust territory which indicated an additional $8.9 million per year for fiscal year 1982 through 1984 was necessary to meet those needs. In addition, the report indicated the need to hire at least 79 additional skilled personnel and 269 local hires. The Department stated last year it agreed with this report. Does it still agree with this report?

Mr. Solomon. Mr. Chairman, the Department agrees with the principles of the report, and that report included the total amount as we looked to increase the operation and maintenance level. Some refinements are being made as operations go on and the manpower figures may be high, and we will adjust it accordingly as we continue the operation and maintenance enhancement program. In that regard, the High Commissioner's staff is working with each of the three governments to identify skill levels and necessary equipment and supplies that should be purchased to enhance the operation and maintenance program in each area.

Senator McClure. Did I understand you to indicate that the maintenance amount of the budget request is a little less than $2 million?

Mr. Adelman. The operations and maintenance figure is $4,334,000.

Senator McClure. Of that how much is payroll?

Mr. Adelman. Offhand I would say approximately 80 percent, but we do not have determinations by each government.

Senator McClure. The report indicated there needed to be $8.9 million put into that per year. So we are substantially what, 10 percent of the need? Again, that mathematics may be rough, but that's approximate.

Mr. Solomon. There are a few factors that have to be taken into consideration. No. 1, the report was based on the anticipation that more of the infrastructure would be complete at the given date. So far some of the projects are behind schedule and are not in place. So therefore that reduces the overall operation and maintenance needs. The $8.9 million is not all necessary at this time. A reduced amount is required because all of the infrastructure isn't built and operational.

Senator McClure. How much of it is deferred maintenance or unmet maintenance needs on the existing equipment and works and how much of it would be on that which was planned but not yet complete?

Mr. Solomon. I don't have available the exact dollar figure of all the projects. I could submit it for the record.

Senator McCLURE. Would you do that, please?

Mr. SOLOMON. Yes, Mr. Chairman.

Senator McCLURE. Thank you.

[The information follows:]

The operation and maintenance report indicated a need for approximately $6.7 million in fiscal year 1983 ($2.7 million for personnel, $2.7 million for equipment, and $1.3 million for supplies). These figures were based on the assumption that most of the projects would be completed and in operation. However, as of May 1982, only about 40 percent of the projects were completed and in place. Most of the remaining uncompleted projects are not scheduled for completion until at least late fiscal year 1983. In addition, the Micronesian governments have received several pieces of equipment from the Japanese, reducing the equipment requirement of $2.7 million.

Based on these factors and the current economic conditions, it was determined that $1.5 million would be sufficient to continue our efforts to improve the operation and maintenance activities in the trust territory.

REQUESTING MORE CONSTRUCTION FUNDS

Senator McCLURE. Why should we continue to meet your request for more construction funds when you won't ask for the funds necessary to keep what is there from deteriorating.

Mr. SANJUAN. Mr. Chairman, the process of ascertaining just what O. & M. requirements there are beyond the ones that we have now is essentially part of this look that we ought to be giving during this period, and I believe it is essential that we know exactly what is needed in terms of maintenance, whether it is capital, and to be really, really exact before the next budget requirement comes in. We must also know what is needed in terms of training people to maintain the facilities at the proper level.

That is particularly true in the energy area and I think we are getting much better at that than we have been before. I think that without ascertaining just exactly what expatriate help has to be brought back in, of which there has been a considerable flight throughout Micronesia because of the change and transition, and what is a question of spare parts, a question of replacement of equipment that is worn out, that is very, very important.

I will let Frank add to that.

Mr. SOLOMON. Yes, Mr. Chairman. We realize operation and maintenance is a very critical problem. One of the things we did start a number of years ago was an operation and maintenance apprenticeship training program on Guam which is run by the Navy. I believe the first class graduated from that program and there is another class enrolled in it. It's a 4-year course. That is one part of the total effort.

Each of the three governments also are aware of some problems that they are having in manpower and training, and they are reviewing the results of that report and making recommendations and working with the High Commissioner identifying specific expertise that is necessary to be brought in either for a short period of time or for a longer period of time. We will continue to explore additional training efforts that can be put into place where we can possibly send teams of experts or specialists to each area to assist on the procurement inventory system, and to continue this training program, part of it under the TA program and part of it under enhanced operation and maintenance fund.

Senator McClure. Well, I am concerned that we are always playing catchup. We are not maintaining equipment as rapidly as we are replacing it. That is one of the reasons we have a construction equipment requirement, because in years past we did precisely the same thing.

Mr. Solomon. We can't deny that, sir. Many of the problems go back much farther than that. It deals with the surplus equipment we purchased from the military. There is no criticism to that. It was available at the time. We have incurred many problems, encountered many problems in Micronesia where we have equipment that is now obsolete and we are trying to replace that with equipment that doesn't require a high level of maintenance and spare parts that are not always available. We are in a catch-up game. We hope and anticipate that we are getting a little bit ahead of the problem and will catch up to it soon.

POST-COMPACT CONSIDERATION

Mr. Sanjuan. My concern, Mr. Chairman, is projected into the future after the compact is agreed upon when all those hurdles have been—and if they are—passed. What then? Will we have completed all of this by then? The answer has to be a very flat, clear and categorical "no." There will be a lack of middle level management, and there will be a lack of maintenance as required to maintain equipment. We must be thinking now in terms of what we can make available at that time, because we're the only source of that type of technical assistance that Micronesia is going to have on perhaps a legitimate basis.

I think it is very important to make these programs go into the future. My concern is once that happens it is considered that everything is over and that these areas should be self-sufficient. We're fooling ourselves. They are fooling themselves.

O. & M. REQUIREMENTS

Senator McClure. I don't disagree with that statement at all. But I am concerned when our O. & M. requirements are so poorly met that we lose ground with respect to keeping in service capital projects that are in service now but won't be soon, and we'll then have to go back with a new capital cost. And how are we going to maintain all of the capital projects that are now underway or being planned or requested or thought about if we can't even provide enough money for O. & M. now.

Certainly if you have a lot of old equipment it requires high O. & M. costs. If you replace that, O. & M. costs go down. But I don't think we are really looking at the total O. & M. costs going down. O. & M. will rise.

Mr. Sanjuan. I think some of those costs at least could be—I don't think they would go down in relative terms, but I think they could be kept down if we pay much more attention in the future to such things as not overdesigning and overplanning certain projects. There are, for example, sewage projects that have purification plants related to them that are suitable for some city on the east coast but not necessarily required for that part of the Pacific, and they are very difficult to maintain. They were overdesigned. Perhaps, there is some problem in the drainage question of certain roads where the proper design was not established for that particular part of the Pacific.

Perhaps hospital construction could be looked at very carefully in terms of what is needed. We may have had a tendency to pour money in without thinking of those things. I think we have to be much more careful, and above all, whenever we build any of these structures or any of these facilities, make absolutely certain that the construction and the maintenance by the expatriate help that is brought in is also tied in to the training of the people in the area to maintain this thing as it goes along, and that's where the technical assistance emphasis should be from now on.

Senator McClure. I understand that. I am still concerned that we are not just talking about the future in which we may have overstimulated the expectations of the capacity of local governments to maintain, but that we are not even making accurate estimates now of the cost of maintenance.

CAPITAL EQUIPMENT VS. INFRASTRUCTURE

Captain Heffernan, you have extensive experience. I know that the Navy has some rules of thumb that certainly show up somewhere. Based upon that experience, is there a ratio between the cost or value of capital equipment and the infrastructure necessary to maintain it?

Captain Heffernan. There are some rules of thumb that have been developed over the years, and of course you have to have a pretty broad range of what you own to apply it. As a public works type person I would be looking for an annual O. & M. rate of 3 percent of what I owned. You have to first of all know what you own and the present-day replacement value of it is what you would be looking for. Not what you paid for it when you got it, but what would it cost to replace it today, and then 2½ to 3 percent of that. You couldn't apply that straight out to, say, an electrical system or sewer, but if you look across a broad range of ownership of facilities, it is a pretty reasonable number.

LOCAL GOVERNMENT CAPABILITY

Senator McClure. Captain, in your professional judgment, do the local governments have the capability to maintain the existing infrastructure?

Captain Heffernan. Not at the present time, in-house.

Senator McClure. Is $4 million adequate to maintain it?

Captain Heffernan. Four million dollars for the whole TT?

Senator McClure. Yes.

Captain Heffernan. I don't know what they own. I know some figures of what was put into capital improvements between 1967 and 1975. I think the number then was about $167 million. So if I brought that up to today's money and then looked at what is being done now plus what they already owned, I would say it would actually be a low figure, particularly looking at what they have in place now to start with. They need to develop a capability first.

Senator McCLURE. Typically, as equipment or capital improvements become older the O. & M. costs rise, do they not?

Captain HEFFERNAN. We are certainly trying to build things—of course, for the first year we have a warranty. That doesn't take all your costs. You still have routine things you must do. But certainly, like a new home as an analogy, or a new car, you hope to have less expense, and as you get on to, for instance, roads in Palau that were paved 2 years ago and last year, in 5 years they are going to need something to rejuvinate the asphalt.

Senator McCLURE. But the first year or two or three they don't need much O. & M.. So as a rule of thumb, the older the equipment the more the O. & M..

Captain HEFFERNAN. Yes, sir.

Senator McCLURE. Last year a report was submitted on scoping deficiencies in the first level CIP administered by the Navy OICC. That report noted that it would take approximately $80 million to restore projects to original scope, but that even with reductions many projects were adequate. The report concluded, however, that approximately $30 million was essential for the completion of certain projects.

The OICC testified last year that it agreed with the report's conclusions, and that if the $30 million was not restored, those projects would not be adequately completed. Contractors are on site on many of the projects, such as the Kosrae airport where current construction will not include paving, water or power, or terminals. Although terminals were not included in the original scoping and consequently not reflected in the OICC report, it does seem to be a good idea to consider some form of shelter since the airport is being built on the reef almost a mile from the nearest trees. Given the additional costs associated with remobilization, why have you chosen not to request any of the $30 million you admit you need, or is it your intent to spend $12 million on an airport which cannot be used?

Mr. SANJUAN. Well, the overview that I would like to give is that we have had to be very careful in this budget with the allotted pie slice that we have in the Interior Department. That was a serious budgetary constraint, and we had to assume certain reductions from the original ideas that existed in this particular area. That doesn't mean that in future budgets we won't be conscious of these needs and press for them.

Let me suggest that Frank continue the answer.

Mr. SOLOMON. Yes, Mr. Chairman. The report did reflect $30 million. There were two categories, one that had to be relooked at and one that was pretty firm as far as those areas go. We are continually working on those. Some of the proposed reprograming actions have offered us immediate relief in this budget year where we will be able to continue some of these projects and complete them.

As the process goes on during the next few budget cycles, we will explore and continue to look at these problems that were identified in that original report.

LOCAL GOVERNMENT DEFICITS

Senator McClure. There has been some concern raised over the funding of the past year deficits for the local governments. I understand that Interior has taken the position that you would suspend the deficits if the local governments managed a balanced budget. Is that correct?

Mr. Sanjuan. No, not exactly. The question hasn't really been decided yet as to what that represents prior to 1982. Some of the deficits may well relate to the TT government actions and some may perhaps be assumable. What we have said very categorically is that after 1982 such deficits will not be assumed by the Department of the Interior.

Maybe there is a further answer that the trust territory would like to give.

Mr. Flaherty. Yes, sir. We've recently completed a financial statement for the trust territory which identifies the exact deficit as of September 30, 1981. This is a cumulative figure that has developed over many years.

Senator McClure. Do you have it broken out by year?

Mr. Flaherty. No, sir. The method used to draw all the figures together made it impossible to do that. A financial statement had not been prepared for the trust territory in anybody's memory, at least anybody working out there now that we could find.

Senator McClure. You can't tell whether or not these deficits were operating deficits for current year operations?

Mr. Flaherty. Well, we can identify a major portion of the total deficit as being an operating deficit in fiscal years 1980 and 1981. There is probably $2 or $3 million which just has accumulated over many years, receivables and unliquidated obligations going back 4, or 5, 6 years; which we've determined to be invalid. But we do not have it broken out at this time by fiscal year. We just have one total figure.

Senator McClure. But that relates back to something I said a little earlier about block grants and the technical assistance necessary for financial management. The Congress will not and should not tolerate for very long the expenditure of funds that cannot even be accounted for. If the financial records are in such state that we can't tell what the deficits are or why, how can you or anyone else expect the taxpayers of this country are going to increase the amount of money dedicated into the same system?

Mr. Flaherty. It has taken a significant effort, but we can at this time and from this point forward identify the deficit and areas where deficits are beginning to occur. We feel we have the monitoring capability at this time.

Senator McClure. At this time.

Mr. Flaherty. Yes, sir.

Senator McClure. I assume that these were operating deficits.

Mr. Flaherty. Yes, they are, to a large extent.

Senator McClure. I would hope that we are at least sure of that.

OPERATING DEFICITS

Mr. FLAHERTY. They are operating deficits. When I say to a large extent, we have variable items. We have $2 million of accrued annual leave, which we have to report on the books as an operating deficit. If we were to close down tomorrow, we would have to pay that out. We have receivables that are spread across the board. So everything is related to the operation of the Government.

Senator MCCLURE. But they are not construction projects.

Mr. FLAHERTY. No, sir.

Senator MCCLURE. They are not capital costs.

Mr. FLAHERTY. No; they are not.

Senator MCCLURE. There are two accounts in the trust territory, operations and construction. It would appear that in order to pay those deficits which you are carrying forward on your books you must have borrowed from the CIP program.

Mr. FLAHERTY. No, sir, we have not had to as yet. The reason for that is we have a very large dollar value of what are called accrued liabilities and unliquidated obligations. They are contracts or other obligations which are legal and binding to a government to pay some time in the future. But the bills have not come due as yet. If all bills were due today and we had to pay them, that is true, we would have to dip into CIP cash to pay them.

Senator MCCLURE. Are you able to tell us with complete assurance that you haven't dipped into the CIP?

Mr. FLAHERTY. Yes, sir.

Senator MCCLURE. As you probably know from the bells, there is another vote on the floor of the Senate and I am going to have to go to the floor for that vote. I think in view of that this may be a good point at which we can submit the balance of the questions for the record. We have a number of questions. I will appreciate your answers to those questions.

RELATIONS CROSSROADS

I suspect that some of the sense of frustration I have is shared by everyone in this room on all sides of the table. Mr. Sanjuan and Commissioner McCoy, you haven't been around as long as the people behind you have nor as the one in front of you, but we are getting frustrated. I am sure you share that frustration and sense the degree of frustration on both sides of you. We are at a crossroads with respect to our relations in the Pacific Islands, a crossroads that is important to them and important to us. It has effects upon our relations with the other territories that are affiliated with the United States in one manner or another. It has a great deal to do with how people look at the United States to see how we treat people that are in dependent territories. They don't wish to be dependent, but I suspect what you said earlier is true, that the likelihood of building a local economy that can pay all of the local expenses is not very great.

As I said before, the fool rushes in where angels fear to tread. We have an interest in these people, and an obligation to them. We have an interest in the territory where they live. We desire to see that that is not used for aggressive military purposes. That implies also a duty perhaps on our part to guarantee their security.

That also imposes upon us some obligation which the American taxpayers must assume. Not an unlimited one, but some. And I would hope that in the status negotiations we can come to a conclusion of those questions, and I hope that we can do it on the basis that is agreeable to all of the parties that are involved.

These peoples were not combatants in World War II; they were in between two superpowers fighting for supremacy and their islands and their peoples happened to be in the way. That also leaves some residual obligation on our part. I hope we can meet those obligations with justice and fairness to these people and at the same time recognize and remember the sacrifice in lives and limbs of American fighting men that participated in that war, and the pledge that we have tried to make to the children and grandchildren that will follow us that American fighting men and women will not again have to do the same thing.

I think we have an awful lot of reason for us to join together in the effort at making the governments of the trust territory of the Pacific islands capable of acting in concert with and in cooperation with the Government of the United States in pursuing common goals. The budget is an integral part of that.

ADDITIONAL COMMITTEE QUESTIONS

I commend you for the progress you have made in the last year. I recognize it has been somewhat difficult, and forgive me if I am impatient that you haven't gotten there yet. I have to say in all candor that I don't think you have gotten very far in the last year, and I hope the next year when we sit down we will see greater progress.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

COST SHARING

Question: The Administration has again this year proposed a 75-25 cost share for construction projects on Guam and American Samoa. As the Congress did not go along with you last year, on what basis did you again decide 25% was the appropriate share for the territories? Was this decision based on any discussions or agreements with Guam and Samoa? If not, why not?

Answer: In the fiscal year 1982 Budget, the Congress did go along with the cost-sharing principle by appropriating funds for territorial construction projects in a 90% Federal/10% local formula. This Administration believes that cost sharing will require the territories to order their priorities and request funds for only the highest priority projects. We have never insisted that the 25% match be in cash. In-kind contributions of land and other project costs, relative to the total cost of a project, are acceptable. In the fiscal year 1983 budget formulation process, we were faced with a choice of either to eliminate certain projects from our request--projects that we felt were beneficial-- or lower the amount of Federal funds available for more projects. We felt that it was in the interest of the territories to have substantial funding for their highest priority projects rather than no funding at all.

The decision to proceed with the 75/25 formula was an internal decision, based on funding constraints, the policies of this Department and the prioritized list of project requests from the territories.

Question: Last year, this Committee stated that cost sharing should be based on the ability of the local governments to contribute rather than on a set formula. Are Guam and Samoa financially capable of making a 25% contribution? Are the economic conditions on Guam identical to those on American Samoa? If not, why do you still stick to the same formula for each?

Answer: We believe that Guam and American Samoa are both capable of making a 25% contribution for construction projects. Economic conditions are clearly different for the two territories. Both are, however, capable of making the contribution. One reason is that the local government contribution can often be made in kind rather than in cash; for example, construction projects are often on public land, the value of which is counted toward the local contribution; labor, materials and equipment can also be counted. Another consideration is that American Samoa is heavily subsidized by Federal appropriations for administrative expenditures. This means in effect, that the local contribution is less of a burden than it would otherwise be. In both territories, the essential purpose of the local contributions is to assure a local commitment and interest in the projects and to enable them to fund a wide range of projects. We believe that this objective is met by the 25% formula.

Question: Has the Department conducted a study to determine the impact of the 1981 Federal Income Tax reductions on Guam and the Virgin Islands? If so, what were the results of that study? If not, do you plan on doing such a study, and when?

Answer: The study to determine the impact of the 1981 Federal Income Tax reductions on Guam and the Virgin Islands were completed on January 29, 1982, and transmitted to the Congress on February 19, 1982.

Question: Does your 1983 budget request compensate or help off-set the loss of Federal Income Tax revenues to these governments?

Answer: The 1983 budget request does not compensate nor offset for any loss of Federal Income Tax revenues.

TECHNICAL ASSISTANCE

Question: You have proposed technical assistance in your 1983 budget request at a level of $750,000. While I am aware of and commend you for your interest in providing more and more technical assistance, it seems that this proposed level of funding is just the tip of the iceberg. Have you had contact from the territories which would indicate that $750,000 is insufficient to even meet their immediate needs? Based on such contact or on consultation with T.T. Headquarters or other departmental personnel, how much do you feel would more adequately meet the needs of the territories during fiscal year 1983?

Answer: We have been in regular contact with the territorial governments regarding our technical assistance programs, and have been working toward finalizing a program for FY 1983. We are confident that $750,000 is a sufficient amount to meet the immediate and high priority needs of the governments. In addition to direct funding, other federal agencies will continue to be a source for obtaining assistance especially for short-term projects. We will continue to make maximum use of the provisions of the Intergovernmental Personnel Act, state agencies, non-profit organizations, and the private sector.

MAINTENANCE REQUIREMENTS

Question: Last year, a report was completed on the maintenance needs of the Trust Territory which indicated an additional $8.9 million per year for fiscal years 1982 through 1984 was necessary to meet those needs. In addition, the report indicated the need to hire at least 79 additional skilled personnel and 269 local hires. The Department stated last year it agreed with this report, does it still?

Have you included additional funds in your budget request to meet the needs identified in this report? How far short of this need is your budget request?

Answer: The FY 1983 budget includes $1,500,000 for special operation and maintenance (O&M) projects in addition to the O&M amounts contained in each of three governments' operating budgets. We believe that the $1,500,000 will be sufficient to continue critical O&M programs (training, hiring experts, purchasing equipment) started in FY 1981 and 1982.

INFRASTRUCTURE REQUIREMENTS

Question: Has the intent of the U.S. Government or the expectations of the Micronesian people regarding minimal infrastructure ever been clearly defined? If so, why hasn't an agreed upon plan ever been submitted to the Congress?

Answer: A five year plan to construct basic infrastructure was implemented in 1976 with initial funding in FY 1977. As autonomous Micronesian governments were not then in existence; basic input was from TTPI administrators, in consultation with leadership from local government offices and legislative branches.

The plan was submitted to Congress in connection with the initial funding requests. Changes have occurred since 1977 with the addition of EPA and FAA grant funding to the $188.8 million provided by the U.S. Congress through DOI. The total funding through FY 1982 from all agencies and departments is $235.2 million, which is subject to some shortfall in total dollar amount.

Question: What level of capital improvement development did the U.S. hope to achieve by the end of the Trusteeship? Has the U.S. committed itself to providing the minimal infrastructure and, if so, is the U.S. living up to its commitment?

Answer: In formulating the original scope of the five-year capital improvement program (CIP), the overall intent was to develop a basic infrastructure in each of the district centers. The intent was to provide necessary water and sanitation facilities; roads, docks and airfields; hospitals; and electrical power. The plan at the time, and the underlying reasoning, was that with a basic infrastructure, commercial development would be possible. The level of capital improvement development was, necessarily, to vary at each location, depending upon what facilities were required to meet a perceived need.

We are committed to the principle of developing in the Trust Territory as much basic infrastructure as possible within the time limitations imposed by the Trusteeship Agreement and the funding realities under which we must operate. The projects included in the initial Five-Year Capital Improvement Program were aimed at furthering that broad course of action which might be altered by changes in the priorities of local leaders, economic conditions, construction factors, and many other uncontrollable elements. Such changes have occurred in the Trust Territory program, but we do not see those changes as a failure of our intent to develop infrastructure. Rather they represent unavoidable, but not undesirable alterations to the original plan.

From 1977 to 1981, $242 million in Federal funding has been provided for the 5-year CIP. The actual construction is planned to be fully completed in calendar year 1984 or 1985. While the overall scope has varied somewhat from that envisioned at the beginning of the program, these changes are mostly the result of ongoing reassessment of individual projects by local leadership and Trust Territory officials. In some cases, the original scope has been expanded; in others it has been reduced.

Question: How was the 1976 Five-Year Capital Improvement Program received and what were its objectives? Was the purpose of the 1976 Five-Year Capital Improvement Program to build as much infrastructure as possible with the available funding or was it part of a comprehensive plan aimed at helping achieve Micronesia's development objectives. Upon completion of the 1976 Five-Year Capital Improvement Program, currently estimated to end in 1984, will the U.S. have fulfilled its development responsibilities in Micronesia?

Answer: The program was developed from the desire to put adequate infrastructure in place so that commercial development would be possible. Original requested projects were changed because of new local priorities, construction problems and other factors. When construction is completed in 1984 or 1985, the infrastructure necessary to encourage commercial development should be in place.

Question: Was a comprehensive plan coordinating capital improvements with economic development ever prepared? If not, why not? What is considered to be the minimal infrastructure necessary to encourage economic development and who determined it?

Answer: No comprehensive plan was prepared because the emphasis was on capital infrastructure development. It was believed by TTPI and local officials at the time that economic development would logically follow, based upon the infrastructure in the District Centers. As views have changed to some extent with advent of locally elected officials, after the 1976 scoping, meetings in 1981 and 1982 have attempted to reconcile available uncommitted CIP funds to current local government thinking on infrastructure needs.

Question: What will be the consequences at the end of the Trusteeship if an acceptable minimal infrastructure necessary to support Micronesia is not in place?

Answer: Dissatisfaction on the part of Micronesians, may occur. However, these are funds provided in the Compact for construction.

FUNDING SHORTFALL

Question: When was it first discovered that the monies being requested to fund the Five-Year Capital Improvement Program projects were insufficient to complete their original scope?

Answer: During the FY 1981 budget process, Navy OICC assured Territorial and International Affairs that the funding levels appeared adequate to complete all projects in the Five-Year CIP program. In November, 1980, Territorial and International Affairs was informed by the High Commissioner and Navy OICC that Navy's original forecast was wrong and that there would be some shortfalls in the program primarily caused by several ongoing construction problems and the continuing effects of inflation.

Question: If you knew the funds being requested were not enough to complete the projects as scoped, why weren't the shortfalls budgeted for in prior years?

Answer: At the request of Senator McClure, TIA, in May 1981, issued a status report on the 5-year construction program. The report indicated that several of the projects were modified (increased and decreased) and that an additional $80 million would be required to restore all projects to the original scope. However, the report concluded that all the projects should not be returned to original scope as the construction completed or in process would meet the original intent of the program scope and serve the needs of the people. Preliminary estimates on the actual shortfall in the program were $34 million.

Since the issuance of that report, the High Commissioner's staff has been working with each of the three governments and Navy OICC on a project reviewing the status of completed construction, ongoing construction and plans for projects not yet started. The purpose of the review is to redefine priorities and modify the scope of various projects in order that the construction would be applicable to the current needs of these governments.

Question: In general, do the completed projects that were reduced in scope still meet their intended purpose or do they need to be returned to their original scope in order to satisfy current needs? Please provide details of each project for the record?

Answer: Yes, the completed projects meet the intent of the Five-Year plan and satisfy the needs of the area. Returning several of the major projects, i.e., airport runways, to original scope would not be of a great benefit to the people. For example, it is estimated that it would cost approximately $45 million to extend runways in Ponape, Kosrae, and Yap, an additional 1,000 feet. The existing lengths will service 727 aircraft and the successor aircraft and the additional 1,000 feet will not provide for a larger aircraft such as a 747 and DC-10's.

A complete status report on all projects prepared by Navy, OICC is attached.

(Reprort to remain in Committee files.)

Question: Does a justification exist to justify scope restoration, and will funding the projects as originally scoped result in more usable and complete facilities?

Answer: In most cases there are no realistic justifications for restoring the projects to original scope. The shortfalls in the program are due to (1) insufficient funds to complete all components of a project, and (2) inadequate scopes which must be modified and/or expanded to address the real needs of the area. For example, the cost of certain projects increased due to the discovery that quarries were inadequate to produce sufficient rock for road bases, coral dredged from reefs proved to be too soft for runways, etc.

Question: The May 19, 1981, "McClure Study" identified inadequate project scopes as one of the problems facing the Five-Year Capital Improvement Program. If this is the case, wouldn't it make more sense to identify current needs and properly scope future capital improvements towards satisfying those needs rather than continuing to fund some of the poorly scoped Five-Year CIP projects?

Answer: The High Commissioner's staff are working with Navy, OICC and the government representatives in defining priorities and modifying projects in order to fulfill the intent of the Five-Year CIP program and meet the current needs of the governments.

Once these decisions are made, the governments can realistically plan for the expansion of the infrastructure to meet future demands.

Question: The Micronesian governments are requesting funds to correct scoping deficiencies such as terminal buildings for their new airports, guardrails for their roads, and bumper systems for their shipping docks. Since many of these projects are not identified in the original Five-Year CIP scope, should the current program be extended to include these projects or are we talking about a new capital improvement program?

Answer: The current program is being assessed at this time to determine what projects included in the original scope do not necessarily serve the purpose for which the program was developed. The extension of this review, of course, is a determination of what remaining projects should be funded in the near future. This will not require a new capital improvement program, but completion, with modification if necessary, of the original one.

Question: While many of the power and water projects have been completed under the Five-Year CIP, the systems have been plagued with inadequate capacities, continuing breakdowns, and limited hours of operation. Are there currently any plans to correct these deficiencies? Why were power plants and sewerage treatment facilities constructed without assurances there would be funds available for installing lateral lines and metered hookups to the users?

Answer: Using both CIP funds and power upgrade funding, these deficiencies are currently being addressed. Funding shortfalls, on water, sewer and electrical projects resulted in a lack of sewer and electrical hookups as better cost estimates involved and funds did not increase to match the revised estimates. EPA funding is now contemplated to meet major areas of house sewer hookups in the next two years. Actual installation of sanitary cores, prefabricated in house plumbing facilities, will remain the responsibility of individual Micronesians. Given income levels and lifestyles in some areas, it is still questionable whether or not plumbing can be extended into individual houses in any great numbers. Electrical connections will be for the most part, the responsibility of local governments.

PROJECT ADMINISTRATION

Question: What technical assistance, if any, has been provided to the Micronesian governments in developing their capability to administer a major capital improvements program?

Answer: To date, no specific technical assistance programs were provided to the governments for this purpose. Each of the governments have or are in the process of hiring staff to work in the area of contract management. Territorial and International Affairs will assist each government through the technical assistance program to the extent that these governments request assistance.

Question: Would the Navy OICC consider continuing their role as contract administrator beyond the currently authorized Five-Year Capital Improvement Program?

Answer: Yes. The Navy OICC has indicated their willingness to continue their role as contract administrator for any additional capital improvement projects that may be authorized for the Trust Territory. However, for manpower and fiscal planning purposes, the Navy OICC would require advance notification of the continuation of their role. Also, for any capital improvement projects in addition to the currently authorized

Five-Year Capital Improvement Program, a new Memorandum of Understanding with the Navy OICC may be required.

Question: In the event the Micronesian governments' contract with the private sector for administration of their capital improvement program, will the U.S. provide oversight for financial accountability and project scope compliance?

Answer: Yes.

CAPITOL RELOCATION

Question: The Office of Territorial and International Affairs' fiscal year 1983 budget request for the Trust Territory of the Pacific Islands includes only $7.8 million for capitol improvements, which will be used to initiate the construction of capitol facilities in each of the three Micronesian governments. Why were no funds requested for the completion of projects in the five-year Trust Territory of the Pacific Islands capitol improvement program?

Answer: The Micronesian governments, especially the Federated States of Micronesia, to whom most of the five-year CIP shortfalls apply, established their capitol as the number one priority. In line with the President's commitment to reduce government spending, only $7.8 million was requested for construction projects in Micronesia and Territorial and International Affairs complied with the priorities established by these governments.

Question: Were the three Micronesian governments advised that no funding would be requested for the capital improvements, other than for capital relocation? Was the possibility explored with the three Micronesian governments about using the $7.8 million for uncompleted capital improvement projects instead of the capital relocation projects? What was the Department's rationale for funding the capital relocation projects instead of uncompleted capital improvement projects?

Answer: The Micronesian governments were advised that the President's Budget contained funding of $7.8 million for capitol relocation and that there were no additional funds for capitol improvements. The decision to include funding for only capitol relocation was made based on the expressed priorities of the Micronesian governments that new capitols were their highest construction priority.

O & M REQUIREMENTS

Question: An April, 1978 study requested by the Department of the Interior and performed by the Trust Territory Government on the long-range O&M needs for Micronesia concluded that the policy of the Trust Territory Government should be to assign a high priority on the development and implementation of a comprehensive O&M program. This program was to be designed to ensure the achievement of the operational reliability, efficiency, protection, and preservation of Micronesia's infrastructure. Did the Department and/or the Trust Territory Government develop and implement a comprehensive O&M program as recommended in the study? If so, when was the program implemented? Describe the program. If not, what were the reasons for not developing a comprehensive O&M program?

Answer: The Department and the Trust Territory Government have not implemented the comprehensive O&M program as recommended in the study. We have, however, been addressing urgent O&M requirements such as overhauling generators and training Micronesians to become fully capable of operating and maintaining the infrastructure.

We have, within available funding, been successful in instituting a training program, in conjunction with the Navy, on Guam. This is a four-year training program for Micronesians and the first class has already graduated.

We have been working with the Micronesian governments in the hiring of expatriates to lend on-site management and training programs in Micronesia.

The Micronesians have been successful in obtaining heavy equipment, an integral part of the O&M program, through other governments.

Funding has been made available for a Trust Territory-wide generator overhaul program. Work is now being done in this regard. With the upgrade of existing equipment and new equipment coming on-line, power requirements are being met.

We have been able to achieve the essential requirements of a "comprehensive O&M program" through a gradual increase in resources made available for O&M. We plan to continue an incremental approach to O&M requirements, rather than seek to establish a "comprehensive O&M program."

Question: If there is no comprehensive Operations and Maintenance program, what are you doing now, and what are your future plans, to ensure that the Micronesian governments have the capability to operate and maintain their infrastructure?

Answer: There is a general Operations and Maintenance plan which will require additional personnel, training, and purchase of equipment. The first stage involves the power plants and the 1982 upgrade funds are being used to repair engines and hire some expert assistance. In addition, the $2,880,000 in special Operations and Maintenance funds are being used to continue an apprenticeship training program, hire experts, and purchase equipment and supplies.

Question: Operation and maintenance funding levels in Micronesia have not kept pace with identified funding needs. The Department of the Interior's fiscal year 1983 budget request for TTPI provides $13.8 million for public works operation in Micronesia. An April, 1978 study by the Trust Territory Government identified an operation and maintenance budgetary need of $23.6 million for Micronesia in fiscal year 1983. Furthermore, a May, 1981 report prepared by a joint team of specialists from Interior, Defense, and the Trust Territory Government noted:

> "The current level of O & M services being provided to each entity is not sufficient to prevent or retard the deterioration of the infrastructure. Considering the fact that adequate O & M is not being provided on the existing infrastructure, the additional burden of operating and maintaining the new projects being constructed under the five-year Capital Improvement Plan will only compound the situation."

Have you done any recent studies to update O & M cost requirements in Micronesia?

Answer: No, we are continuing to use the O & M report as a basis for our programs.

Question: What is the U.S. Navy percentage standard for budgeting O & M costs for unsophisticated public works operations based upon plant acquisition costs, and in the fiscal year 1983 TTPI budget, what is the percentage of O & M budgeted based on plant acquisition costs? Why haven't the Micronesian governments' O & M budgets been increased as they have assumed O & M responsibility for newly completed capital infrastructure projects?

Answer: The U.S. Navy does not publish a standard for budgeting O & M costs, but has advised us that, as a rule of thumb, 3% of current replacement value general infrastructure is adequate. This is an average amount, based on the diverse types of facilities in place in Micronesia.

The amount requested in the FY 1983 TTPI budget for operations and maintenance is $4,334,000. Because of the difficulty in assessing current replacement costs for those facilities in place in the Trust Territory, the appropriate percentage of O & M cannot readily be determined.

The amounts budgeted by the Micronesian governments for operations and maintenance have generally been increasing over the past few years. However, the amounts budgeted for O & M by each of the governments are determined by them within their total authorized funding level. As is always the case in the budgetary process, additional funding for O & M must compete with other high proprity items for any additional resources that may become available.

Question: If an adequate O & M budget is not funded, what impact will this have on the useful life of the existing infrastructure? If we continue to fund capital improvement projects without taking into consideration whether or not the Micronesia governments can economically maintain these projects, won't it worsen an already critical O & M problem?

Answer: Useful infrastructure life is reduced when adequate O & M funding is not provided. We feel, however, that the FY 1983 budget contains adequate O & M. Future budgets will consider O & M funding as ~~capital~~ improvement projects are proposed.

ECONOMIC DEVELOPMENT PLANS

Question: Each of the three Trust Territory Governments are formulating five-year economic development plans as required under the Compact of Free Association. What is the status of these plans? If not yet complete, why has it taken so long to come up with such plans?

Answer: The plans required by the Compact of Free Association will not be five-year plans but rather national planning and program documents which will detail the government's development strategies over the initial fifteen year funding period of the Compact. They will take into account the economic assistance received under the Compact as well as local and export revenues. The plans must be concurred in by the Government of the United States before they are officially promulgated.

The plans are now in the drafting stage by each of the Governments. The process and work involved in developing multi-year national development plans is a long one in any circumstance, but especially in the Trust Territory where no concerted economic planning has previously taken place. Each Government plans to submit its draft plan to the Government of the United States for review and concurrence prior to the effective date of the Compact.

Question: How do the programs and projects under these plans compare to the request for additional funding for fiscal year 1983?

Answer: Because the plans are still in their draft stages, it is not possible to say that current funding requests merge precisely with longer-range assessments of needs. The current needs that are addressed in the requests are seen as priorities by the Micronesian governments. It is reasonable to assume that they believe that fulfilling current needs will permit them to address additional needs that are part of their longer-range plans.

Question: Should the United States fund programs now which the Micronesian governments were willing to implement under the Compact?

Answer: Current funding requests are based on priorities that are determined by the governments of Micronesia as well as by the United States, and it is likely that if the Compact were in effect at this time, funds would be devoted to the same projects that are now being funded. Funds are being used only for the most needed projects. If there are projects of lower priority that are not being funded, they will be deferred. It is possible that some projects will not be funded until the Compact provides an additional level of financial assistance to the Micronesian governments. Until the Compact goes into effect, however, the needs of the governments of Micronesia will be addressed on their merits, in accordance with the Trusteeship Agreement, and in the context of the United States' economic considerations.

Question: What systems are included under these plans for appraising, scoping, administering, implementing, and monitoring these projects in order to assure that they are truly needed, feasible, and within the capability of these governments to execute. What assessments have we made of the need for technical assistance in development training, project appraisal and implementation and monitoring?

Answer: The Compact requires each of the Governments to detail its capital account expenditure priorities and justifications. This analysis will require detailed considerations such as appraisals and scoping as well as methods of construction, operation and maintenance of the construction projects sponsored by the governments. With respect to technical assistance, Compact Section 226 authorizes the agencies of the Government of the United States to provide technical assistance to the Governments on a priority basis. Prior to Trusteeship termination, technical assistance needs are met through the Department of the Interior.

Question: Will these plans address the needs of the outer islands?

Answer: The plans to be developed by the Governments of Palau, the Marshall Islands and the Federated States of Micronesia will be national in scope and will address all areas of national jurisdiction.

Question: What organizations or institutions within these governments will be responsible for monitoring progress under these plans? Will it include their newly-formed development banks?

Answer: The specific assignment of responsibilities for carrying out the development strategies and programs detailed in the national development plan lies within the authority of the Governments of Palau, the Marshall Islands and the Federated States of Micronesia, respectively. It is expected that most of the programs will be sponsored and administered directly by the government concerned, although the use of contractors or development banks can also be contemplated. With respect to financing for economic development projects, the development banks will be used as a funding channel in order to create incentives for entrepreneurship.

Question: What emphasis is being put on private sector development in these plans?

Answer: Each of the Governments of Palau, the Marshall Islands and the Federated States of Micronesia plans to encourage private sector development to a much greater degree than in the past. To that end, they are considering tax and investment incentives which, when coupled with the incentives to American investment contained in the Compact, should make Palau, the Marshall Islands and the Federated States of Micronesia comparatively more attractive destinations for the investment dollar.

Question: Will the projects being requested for funding for fiscal year 1983 help to spur private sector development? How?

Answer: The only construction funds being requested for the Trust Territory are $7.8 million to begin construction of the new capitols. The Micronesian governments considered their capitols as their number one priority. This construction will not necessarily help spur private sector development.

DEVELOPMENT BANK

Question: Each Micronesian government is adopting a development bank which will utilize the proceeds of a former Economic Development Loan Fund for the promotion of private sector development. Each must operate under a Manual of Administration governing the purposes for which loans may be made, preventing conflicts of interest on the part of bank officials and board members, and accounting for bank funds. Each will approve loans only after the applicant has been refused commercial bank loans at higher interest rates. Will the rules regarding the prevention of conflicts of interest be applicable after the Trusteeship ends?

Answer: No. The Manual of Administration currently provides for substantial involvement of the High Commissioner's Office through her appointment of the Executive Director of the Economic Development Loan Fund. The Executive Director serves as a member of the Boards of Directors of the development banks, or similar institutions, serves on the various credit committees, and must approve each loan. Neither the Manual of Administration nor the draft Compact of Free Association addresses the administration of the EDLF after termination of the Trusteeship. Presumably, at that time, the involvement of the High Commissioner would cease and administration of the balance of funds in the various development banks, or similar institutions, would become the exclusive province of the new governments. It is hoped that adequate regulations preventing conflicts of interest in lending practices would be maintained. However, such regulations would be subject to change by the new governments.

Question: Isn't there a built-in incentive for applicants to be turned down for commercial loans? How can these banks survive if they can only finance the highest risk ventures?

Answer: Only to the extent that development bank loans may be offered on terms more favorable than those currently offered by commercial banks. However, this apparent incentive is partially offset by the other limitations on who and what projects may qualify for development bank loans, including the requirement that development must be promoted. The development banks can survive only if potential projects are carefully analyzed and monitored, and technical advice and assistance provided to borrowers when needed. By their nature, development banks are expected to assume greater risks than commercial banks.

Question: What are the obstacles to expanding commercial bank operations in Micronesia? Are banking laws adequate to assure that commercial banking development takes place in an orderly fashion and is properly regulated?

Answer: Obstacles include:

a. relatively small populations
b. limited natural resources
c. limited business activity
d. limited investment capital and cash flow
e. real property cannot be used as collateral, since it cannot be owned by non-Micronesians
f. there are already bank branches operating successfully in Palau, Yap, Ponape, Truk, and the Marshall Islands

To date, development of banking laws has not been the highest priority of some of the new governments. The Federated States of Micronesia National Government has enacted a comprehensive banking law which should be adequate to ensure orderly development and proper regulation of commercial banking. The Republic of Palau and the Marshall Islands have not yet enacted similar legislation. However, proposed banks would be subject to review under the foreign investment permit regulations.

Question: What role will the development banks play in project appraisal, implementation and monitoring? Are we offering or supporting the provision of technical assistance to these banks in setting up their loan appraisal, implementation and monitoring systems?

Answer: The development banks will play an active role in project appraisal, implementation, and monitoring.

Technical assistance is currently provided by the High Commissioner's staff, primarily through the Executive Director of the EDLF, who is actively involved in the review of loan applications and the management of the various development banks, or similar institutions. Also, a member of the Trust Territory Attorney General's office serves on each of the Boards of Directors. Finally, the Manual of Administration provides for securing contract technical assistance, as needed, funded by interest income from the EDLF.

TECHNICAL ASSISTANCE

Question: The Office of Territorial and International Affairs' fiscal year 1983 budget request includes $750,000 for technical assistance. In what areas will these funds be used?

Answer: A letter has been sent to each government requesting a list of their specific needs. We are aware of many problem areas, e.g., financial administration, training, operations and maintenance, hospital administration, and, law enforcement, but we wish to allow each government an opportunity to establish priorities and better define their needs. Once we receive their responses, we will work with each government in finalizing the Technical Assistance program for FY 1983.

Question: How much will go to assisting the Micronesian governments versus the U.S. flag territories? Are these funds sufficient to meet all the technical assistance needs of the Micronesian governments and the U.S. flag territories?

Answer: An exact allotment of the funds will not be determined until we have received final input from all of the governments. However, approximately 60 percent will be allocated to the Trust Territory. We believe that the funds are adequate to meet the most urgent needs of the Micronesian governments and U.S. flag territories. We are conducting an ongoing analysis of technical assistance requirements for all areas.

Question: Over the past few years the Financial Management System in Micronesia has been the subject of increasing concern. To date, the Trust Territory Government has implemented a centralized system to provide control over the expenditure of funds. This system, however, has been criticized as being inaccurate and untimely. As a result, the Micronesian governments are proposing independent computerized systems to deal with these problems. What problems exist with the TTG's centralized financial management system, and what immediate improvements are needed? Does TTG's centralized financial management system preclude over-expenditure and provide for accountability and responsibility for funds?

Answer: The major problem with the TTPI Financial Management System, as noted in audit reports of the past several years, was the absence of a general ledger which precluded the preparation of financial statements.

The major problem with the present system, as perceived by the emerging governments, is the location of the centralized computer system in Saipan.

The TTPI has, for the first time in several years, developed general ledger balances and financial statements for the fiscal year ending September 30, 1981. This responds to the major system problem identified in previous audit reports. However, the emerging governments still feel very strongly about having their own on-island computer. The Office of Territorial and International Affairs has recently completed a study of the emerging government's financial management requirements and will soon purchase the hardware and software for a prototype system. Included in this software will be a payroll package, which is critically needed.

The current system does provide the ability to accurately account for funds. The accuracy of the accounting records, however, as with any system, is directly related to the efficiency of the finance office in question. Accurate accounting records can be achieved and over-expenditures can be avoided through compliance with existing procedures and data processing schedules.

Question: Are the Micronesian governments able to develop realistic budgets and able to control expenditures within appropriated levels? What are the total deficits the Micronesian governments have incurred through FY 1981 and are the deficits still continuing to occur?

Answer: Yes, the Micronesian governments have shown the ability to develop realistic budgets and it is within their ability and authority to control expenditures within the appropriated levels.

The total deficit of the TTPI, as of September 30, 1981, is approximately eighteen million dollars. Of this amount, approximately two million dollars is an accrued liability for accrued annual leave.

The Micronesian governments were advised, that any deficits incurred after fiscal year 1981 would not be a liability of either the United States or the Trust Territory of the Pacific Islands. The TTPI instituted new cash control procedures at the start of fiscal year 1982 which tie U.S. Treasury cash availability to obligational authority granted to the three emerging governments. Written agreements delineating cash control procedures were executed between the TTPI administration and each of the three governments. This will ensure that, unlike previous years, the governments will not be able to draw down U.S. Treasury cash in excess of their authority.

Any new deficits incurred by the governments will have to be funded through locally-derived revenues or sources other than the Department of the Interior Grant. As of March 31, 1982, the Republic of Palau had an FY 1982 operating deficit of $201,500 and, for the same period, the States of Truk and Ponape had operating deficits of $18,500 and $24,300 respectively.

Question: Are financial and program managers (a) able to monitor and control expenditures, (b) aware of and adhering to restricitons on the expenditure of funds, and (c) in need of training, technical assistance, and expatriate expertise?

Answer: The eleven finance offices throughout the TTPI receive weekly computer reports which provide the opportunity to monitor and control expenditures. However, the eleven finance offices are operating at varying levels of efficiency depending upon the skill levels of their employees and the degree to which they comply with existing procedures. Additional training through technical assistance is needed to improve the technical skills of finance personnel throughout the TTPI. The most effective technical assistance to date has been realized when personnel have been assigned to live and work on island for an extended period of time.

Training has been provided to program managers on all of the major islands to familiarize them with the various computer reports they receive on a monthly basis. This ability to interpret and utilize the reports will provide the expertise needed by program managers to effectively monitor and control expenditures for their activity.

Question: What assistance is the U.S. providing the Micronesian governments in developing and operating a sound financial management system? What type of training, technical assistance, and expatriate expertise do the Micronesians need and for how long? Are there any plans for providing such assistance and have the Micronesian governments contributed to these plans?

Answer: Territorial and International Affairs is initiating a pilot financial project which includes ADP equipment and financial systems software. A business firm on Guam will be responsible for implementation of this system and the training of the staff. The firm will also provide a long-term service contract to maintain the equipment. In addition, Territorial and International Affairs has individuals stationed in Micronesia who are assisting these governments and will provide on-site training to the financial personnel. This is being done through our technical assistance program. Several governments, however, have indicated a willingness to contribute funds toward the purchase of hardware.

The pilot program will first be installed in one of the Pacific governments. After full performance of the system is achieved, the package will be adapted to the needs of the other governments.

Funding for the first year of system operation is being considered in the technical assistance program. The contractor will provide on-site training in each area until the systems are fully operational and can be operated by the local personnel.

Question: What is the estimated cost of such assistance, and will it need to be in-residence?

Answer: The assistance to be provided will consist of internal and external resources. The internal resources consist of Territorial and International Affairs on-site technical assistance staff. External resources are the private firms which may be contracted, if necessary, to provide additional personnel to help implement the system, train the staff, and maintain the equipment.

The total estimated cost to install the system in seven locations is $1.8 to $2.5 million.

Question: What is the present status of the Micronesian governments' request for their ADP system and what is the Administration's position on these requests? How much will the entire system cost to put in place and what will be the annual operating cost?

Answer: We are reviewing a hardware and software proposal for a financial management system that was submitted by a firm in Micronesia. The software package includes a design for an accounting and payroll system which will be modified to meet the requirements of the individual governments. The first phase of the project will be funded in FY 1982 with subsequent phases funded from FY 1983 technical assistance funds. Full implementation is expected by October 1983.

The total estimated cost to install the system in seven locations is $1.8 to $2.5 million. Annual costs of operating the system will be borne by the individual governments. Maintenance of the systems will cost approximately $150,000 annually for each location.

Question: Will these proposed ADP systems address deficiencies in the existing financial management system as well as simply providing new hardware? Will they eliminate present problems with time delays, the transport of financial records, and finance office accounting errors in each government as well as at Trust Territory headquarters?

Answer: The pilot system will first be installed in one location. At this time, Guam appears to be the most logical area for the pilot. The financial management system will include such software packages as receivables, payables, personnel, budget, utilities and taxes. Once the system is operational in the pilot location, adaptions will be made for each area to which it will be expanded. Using the mini-computer hardware and the customized software, each location will have a unique package to meet its specific needs. The existing deficiencies in the financial management system will be eliminated with the customized software. Without a central Micronesian computer facility, time delays due to transportation will be eliminated. It will certainly take some time, however, before the personnel at each location become fully capable of operating the systems and all of the "bugs" are worked out.

Question: Do the Micronesian governments have the skilled professional staff to operate, maintain, and support independent computer systems? Where will this staff come from and how much will it cost to recruit and train?

Answer: Currently, the governments have a shortage of skilled ADP personnel, However, with proper training, the existing personnel can learn to operate the equipment.

There will be a need to provide ADP programming and hardware maintenance support. The actual maintenance of the equipment will be provided by the firm in Guam supplying the equipment. There will be a need for each government to hire ADP programmers. TTA through the Technical Assistance program will provide training assistance and manpower resources as needed.

Question: Would a central computer facility, as it currently exists in Saipan, be more economical to operate and still provide adequate support for each Micronesian government's ADP requirements?

Answer: At this time a central facility may be more economical to operate. As the ADP requirements of each government evolve in different areas, however, using a central large main frame facility will prove to be more cumbersome than the mini-computers with customized software that we now propose.

Question: What provisions should the U.S. make for audits of U.S. - source funds? When will the entities have a public auditor function in place and operating, how independent will it be, and who will be responsible for following up on its recommendations?

Answer: Auditing of U.S. - source funds is accomplished primarily by the grantor agencies. The U.S. Government Comptrollers provide audit assistance as resources are available. The U.S. Government should continue to audit its funds to the extent that providing audits remains cost effective.

The Federated States of Micronesia now has an internal auditor in place; the Republic of the Marshall Islands is currently recruiting for an internal auditor, and, the Republic of Palau has not as yet taken action to hire an internal auditor. We expect that the internal auditors in the Micronesian governments will be fully independent, as internal auditors in any government are.

Following up on recommendations will be the primary responsibility of the Micronesian governments, as they attain greater political and financial autonomy.

Question: Public administration and management systems are still evolving among the Micronesian governments. This process may necessitate the use of long-term technical assistance, training, and expatriate staff. What assistance is the U.S. providing the Micronesian governments to develop capable and effective managers and supervisors? What policies and programs have the Micronesian governments instituted to develop such skills?

Answer: The past twenty years have been a time of constant and continuous training. Most of the present Micronesian leadership have worked in the Trust Territory governmental system, either at TTPI Headquarters or in the former Districts. Technical assistance and training continue, but at a pace based on the schedules, plans, and requirements of the Micronesian governments. The Micronesian governments continue to be willing to accept U.S. assistance in developing capable and effective managers and supervisors. For example, the Intergovernmental Personnel Act has been utilized to provide managerial and supervisory training, as well as financial and fiscal management training. The financial and fiscal management training was conducted by the accounting firm of Peat, Marwick, Mitchell and Company.

Outside participation must be low-key and not seen as a threat or as competition to current leadership as the governments are highly nationalistic, political, and sensitive societies. Hence, the ultimate development of capable and effective managers and supervisors depends on capable and effective leaders. The Micronesian governments are now in the process of developing policies and programs to cope with this need, according to their own schedules and priorities.

Question: Will additional training, technical assistance, and expatriate staff be needed? Do plans exist which identify and prioritize such needs? Do these plans reflect input from the Micronesian governments?

Answer: Yes. However, these needs must necessarily be identified by the Micronesian governments. If previously trained personnel elect to pursue other careers, it will be necessary to train replacement personnel. Trust Territory personnel will continue to provide training and technical assistance, as may be requested by the Micronesian governments. In addition, the new Technical Assistance program, administered by the Office of Territorial and International Affairs, will be available to assist the new governments in assessing their training and technical assistance needs and developing possible solutions.

The Micronesian governments are currently devising manpower development plans which will identify and prioritize training and technical assistance needs. Trust Territory Headquarters remains available to provide assistance in the development of these plans.

Having originated with the Micronesian governments, these plans will necessarily reflect their input and their priorities. While we remain available to help them assess their needs, the final decision as to training and technical assistance priorities must be made by the Micronesian governments.

Question: How will the Micronesian governments recruit and pay for expatriate help where it is needed?

Answer: The Micronesian governments will do their own recruiting, according to their own recruitment processes. Recruitment and salary costs will be paid from either the Department of the Interior grant, Federal Program grants, or local revenue sources. Trust Territory Headquarters personnel are available to assist in the recruitment process and to provide for referral of potential candidates, as requested.

TELECOMMUNICATIONS SYSTEM

Question: In the near future, the Micronesian governments will be receiving a new telecommunications system. The U.S. will be funding the Micronesians' purchase of seven COMSAT earth stations at an estimated cost of $1.4 million per station. The Micronesian governments will lease from COMSAT 70 circuits at a cost of $1,125 per circuit per month. What is the present status of the Communications upgrade and the anticipated dates for operation of the earth stations?

Answer: The Communications upgrade program is proceeding satisfactorily. Although originally focused on upgrading the present high-frequency radio communications system in the Trust Territory, the program was later redirected to initiate an enhancement of the local telephone systems, improve outer-island communications, and partially provide for interfacing with the proposed satellite communications system. Improvements in the local telephone systems have been started and the outer-islands' communications systems are nearly complete. The satellite interface program is still in progress, but must be completed prior to activation of the satellite communications system. Specific accomplishments of the Communications upgrade program are as follows:

a. One hundred thirty-nine packages of outer-island radio equipment have been installed. These packages include solid state radios, batteries, solar panels, regulators, antennas, and spare parts. These packages will help provide reliable communications with the outer-islands.

b. Total telephone line capacity, Trust Territory-wide, has been increased from 700 to 2,950, with a total expected requirement of 3,150 lines. A portion of these expanded systems have been installed and activated.

c. Six outside plant systems have been wired for a total capacity of 3,636 lines. In most cases, this has included renovation of the outside plant. A seventh outside plant system, for Ebeye in the Marshall Islands, is being planned.

d. A total of 1,450 standard desk telephones have been purchased, in order to better utilize the expanded capacity in each area.

e. Intercom systems have been established in each of the six areas, with an average capacity of 30 telephones.

f. An SD-192 Siemens EPABX Switchboard has been installed in five of the six areas, to provide interface between the local telephone exchange and national/international voice traffic. The Switchboard for Yap, FSM will be installed by the end of FY 1982.

g. A telephone patch has been received and is awaiting installation in each of the four FSM states to provide interface between outer-island radio traffic and national/international voice traffic. A similar telephone patch system will be installed for the Republic of Palau.

h. In the FSM State of Kosrae, the Communications Center has been relocated from Lelu Village to Tofol Village. This relocation effort included the installation of high-frequency antennas, high-frequency transmitters, high-frequency receivers, voice terminals, and teletype equipment.

i. In the Republic of Palau, an emergency rebuilding of the local broadcast station has been completed.

j. Also in the Republic of Palau, technical assistance has been provided, including background information and assistance, in the development of practical budgetary control systems, subscribers' billing systems, a credit control mechanism, international accounting processes, and centralization of traffic data and accounting data records.

k. General telecommunications consultations have been provided to each of the areas, on a continuing basis.

l. At Trust Territory Headquarters, the Communications upgrade program has included the installation and activation of two SD192 Siemens EPABX Switchboards, to provide services for international voice traffic throughout the Trust Territory and world points; the maintenance of high-frequency radio links between Trust Territory Headquarters, Palau, Yap, Truk, Ponape, Kosrae, and Majuro for voice traffic by way of Saipan to world points; the overall planning and installation of telephone systems, outer-island radio systems, voice terminal equipment, interfacing equipment, selective call unit systems, and procurement of all required equipment to complete these projects; the coordination and oversight of frequency management; and the provision of general telecommunications consultations, as required.

In addition, certain aspects of the Communications upgrade program are still in progress. These include:

a. The procurement and installation of electronic hardware that will provide interface with local telephone systems to the operational standards required by INTELSAT to access a satellite earth station, Standard "B" (CCITT No. 5) telephone signal converter to E and M. This electronic hardware has been ordered for Palau and Majuro, Marshall Islands.

b. The procurement and installation of necessary voice terminal equipment in order to provide for additional voice channels. This equipment has also been ordered for Palau and Majuro, Marshall Islands.

c. The procurement and installation of selective call unit systems, model S3M, to provide the ability to remotely check the status of outer-island radios.

d. For the Republic of the Marshall Islands and the Federated States of Micronesia on an as-required basis, the provision of background information and assistance in order to develop tariff share agreements, practical systems budgetary control, subscribers' billing systems, credit control mechanisms, international accounting processes, and centralization of traffic data and accounting data records.

e. To provide additional capacity for 1,300 additional telephone lines. This expansion is essential for those telephone systems presently at or near capacity.

f. The procurement and installation of a 200-line telephone system and associated outside plant on Ebeye, Republic of the Marshall Islands, including switchboard capability to interface between the local telephone exchange and national/international voice traffic.

g. The procurement and installation of a six channel, expandable to twelve channel, mini-microwave system, to be installed between Kwajalein and Ebeye to provide for inter-island communications.

h. To provide for additional telecommunications consultations and technical assistance, as required.

The remaining aspects of the Communications upgrade program will continue in conjunction with the installation and operation of the satellite earth stations.

According to current estimates, the anticipated dates for operation of each of the earth stations are as follows:

Location	Date
Koror, Palau	November, 1982
Majuro, Marshall Islands	February, 1983
Ponape, FSM	March 1983
Truk, FSM	April, 1983
Yap, FSM	June, 1983
Ebeye, Marshall Islands	August, 1983
Kosrae, FSM	September, 1983

Although this schedule is subject to change, all of the earth stations should be in operation by the end of FY 1983.

Question: How will the present communication systems be connected to the COMSAT networks?

Answer: The present communications systems in Micronesia will be connected to the COMSAT networks through interfacing equipment, CCITT No. 5 telephone signal converter to E AND M signalling.

Question: I understand that the interface equipment, No. 5 TSC, will cost approximately $104,000 each. Is that correct? Has that equipment been installed? Has the equipment been ordered? Will the system work without the interface?

Answer: Each unit of the interface equipment, No. 5 TSC, will cost approximately $104,000. Only two units have been ordered to date, for the earth stations in Palau and Majuro, Marshall Islands, which are expected to be operational in November 1982 and February 1983, respectively. The other units of interface equipment will be ordered approximately six months prior to the anticipated date of operation of each of the earth stations. None of the interface equipment has been installed.

The communications systems currently in operation in Micronesia will not work with the COMSAT networks without the installation of the CCITT No. 5 interface equipment. Thus, the interface equipment is essential to the efficient operation and use of the planned earth stations.

Question: Where do you plan to get the money for the equipment? Wasn't money provided for Communications upgrade and the terrestrial system? How much was provided, what was your original plan for using that money including the number of subscribers to be hooked-up, and what will you have in place when the money is exhausted?

Answer: Funding for the necessary interface equipment will come from the remaining balance of funds in the communications upgrade program, from certain collections for the services of the current TTPI communications system, and, if necessary, through some internal reprogramming of funds.

Funds were originally provided through the Department of the Interior grant, Communications upgrade program, to upgrade and expand the local telephone systems and the high-frequency communications system in Micronesia. A total of $3,325,000 was provided during FY 1980 and FY 1981 for the Communications upgrade program. As stated above, the funds were originally provided to upgrade and expand local telephone systems and high-frequency communications system. However, as a result of the change in scope of the TTPI communications program, from one relying on a high-frequency radio system to one utilizing satellite communications, the Communications upgrade program was redirected to provide additional voice terminal equipment and COMSAT interface equipment, as well as providing other improvements necessary for the efficient utilization of a satellite communications system. The original plan for increasing subscribers' connections at each location is as follows: Palau, from 200 to 850; Yap, from 200 to 400; Truk, from 100 to 700; Ponape, from 250 to 850; Kosrae, from zero to 200; Majuro, from 100 to 700; and, Ebeye, from zero to 200. When the original funding for the Communications upgrade program is exhausted, a reliable telephone and telecommunications system, compatible with the COMSAT earth stations, will be in place in each of the locations, including the installation and operation of the increased number of subscribers' connections cited above.

Question: Do the Micronesian governments have the technical and other skills necessary to operate, maintain, and support the existing and proposed systems? What are you doing to provide those skills?

Answer: The Micronesian technicians currently employed have limited skills and make an attempt to operate and maintain the existing system. Substantial additional training and technical assistance will be required to prepare the technicians to operate and maintain the proposed satellite communications system.

Trust Territory Headquarters will provide on-the-job training at each location during the initial installation of each earth station and during the implementation of the Communicatons upgrade program. Also, in response to a request from the Trust Territory, the International Telecommunications Union at Suva, Fiji has offered a program of telecommunications training to the communications technicians of the three Micronesian governments. This training will be held at Suva, Fiji, for a period of two years. Arrangements have been made with each of the governments to select their candidates for this training, which is scheduled to begin in late 1982. In addition, communications consultations and technical assistance will continue to be provided by Trust Territory Headquarters during the installation of the COMSAT earth stations.

Question: Have the necessary public commissions for administering telecommunications been established for each government and do they have the necessary training and expertise to administer the authority, set rates, etc.? What cost-benefit analysis was done on these systems? When was it made? Was any consideration given to existing telephone capacity, projected capacity, revenues and costs, future traffic requirements, and necessary tariffs?

Answer: Each of the three Micronesian governments are in the process of establishing their own public commissions for administering telecommunications. Technical assistance will be provided by Trust Territory communications staff as well as the International Telecommunications Union in administering such an authority, setting rates and tariffs, developing budgetary control systems and credit control mechanisms, and other necessary aspects of any such public commission. Such training and technical assistance should enable the Micronesian governments to properly administer public commissions having control over telecommunications.

No complete cost-benefit analysis was done on the establishment of a satellite communications system in Micronesia. The effectiveness and condition of the present TTPI communications system as well as political and economic factors were major considerations in the decision to implement a satellite communications system in Micronesia. In addition, such considerations as existing telephone capacity, projected capacity, potential revenues and costs, future traffic requirements, necesssary tariffs, potential for economic development, and other such considerations were evaluated prior to arriving at the decision to implement a satellite communications system in Micronesia. Also, the expected results of the Communications upgrade program were a consideration in arriving at such a decision.

Question: How much will the entire telecommunications system cost -- including earth stations, leased circuits, maintenance, and interfacing costs -- and what will be the increased capacity for each Micronesian government? Why are 70 circuits required? How many telephones will each earth station service?

Answer: The entire telecommunications system will ultimately cost approximately $16,159,000. This total cost includes $4,350,000, of which $3,325,000 has been appropriated, for completion of the Communications upgrade and expansion project; approximately $9,800,000 for the ultimate purchase of the seven earth stations, at $1.4 million each; $945,000 for the annual cost of leasing the 70 half circuits, at $11,250 per month for 12 months at the seven locations; approximately $336,000 for maintenance, for six technicians at approximately $8,000 each per annum at each of the seven locations; and $728,000 for seven units of the interface equipment, at $104,000 per unit. With the installation of the seven earth stations, inter-island and international telecommunications capabilities will be greatly enhanced.

The contract agreements, as jointly agreed between COMSAT General and each of the Micronesian governments, provide for the leasing of a total of 70 half circuits, ten for each of seven earth stations. The current leasing cost is $1,125 per half circuit per month. The total annual cost of leasing the ten half circuits at the seven locations will be approximately $945,000. The ten half circuits at each earth station location will provide eight overseas telephone circuits, one telex channel, and one teletype channel, and are expected to serve all overseas requirements for each location for the foreseeable future.

Each earth station will serve all of the operating telephones at each location. Each will have the capacity for eight overseas telephone circuits. Upon completion of those projects contemplated in the Communications upgrade program, the following number of telephone lines will be serviced by each earth station; Majuro, Marshall Islands 1,400 telephone lines; Ebeye, Marshall Islands 200 telephone lines; Ponape, FSM 815 telephone lines; Kosrae, FSM 200 telephone lines; Truk, FSM 700 telephone lines; Yap, FSM 400 telephone lines; and Koror, Palau 1,100 telephone lines. The number of telephone lines serviced by each earth station is limited to the number of operating telephone lines in each of the local telephone systems; not necessarily by the number of half circuits accessible by each earth station.

Question: The Trust Territory Government is the designated state agency through which Federal grants are distributed to the separate Micronesian governments. The bulk of these grants are for programs of health and education. The Micronesian governments desire and may soon receive direct grantee status for health and education block grants. What technical assistance is being provided to prepare the Micronesian governments for direct-grantee status? By what formula will block grants be divided between the Micronesian governments?

Answer: Providing technical assistance to the Micronesian governments in the administration and operation of Federal programs has been and will continue to be a major endeavor of Trust Territory Headquarters. Training and technical assistance efforts must continue, particularly in light of changing Federal regulations and requirements as block grant programs are instituted. As the separate Micronesian governments receive grantee status, the grantor agencies will be required to provide the governments with the same type of assistance provided previously by Trust Territory Headquarters. The Trust Territory Government concurs with the early transfer of direct grantee status to the three Micronesian governments, with Trust Territory Headquarters personnel being utilized to provide on-the-job and on-site training in order to provide for a smooth and orderly transfer. The first step in implementing this process is the official recognition of the Micronesian governments as the designated state agencies eligible for receipt of Federal grants. The second step requires the formal and final identification of those Federal grant programs that will continue into the post-Trusteeship period. It is essential that this process be implemented as soon as possible, as current Headquarters personnel are primarily involved in the administration of Federal programs. Official recognition of the Micronesian governments as designated state agencies would allow the remaining Headquarters personnel to concentrate on technical assistance efforts.

Recent training and technical assistance efforts have been based on the assumption that the three Micronesian governments would become direct grantees for the purpose of Federal program assistance. Trust Territory Headquarters has disseminated information, on a continuing basis, pertinent to the Federal programs now received through the TTPI and those coming into being through the Omnibus Reconciliation Act. We have included Federal program representatives from the three governments in conferences and meetings at Headquarters, on the mainland, and elsewhere in Micronesia, whenever any aspect of Federal program assistance management was to be discussed or reviewed. Headquarters personnel have traveled throughout Micronesia, working on a one-to-one basis to explain program requirements and implementation, and to call to the attention of the administrative personnel at the local level the variety of programs and the need for involvement in details. Major workshops on consolidation and other aspects of Federal program administration have been conducted. We have continued to provide assistance to Federal program personnel at the local level in the areas of fiscal reconciliation, program development, staff training, program monitoring and evaluation, and program planning. It is safe to say that never before have so many people in Micronesia been so fully informed about and aware of Federal program legislation, requirements, and opportunities.

While various formulas for the distribution of block grants have been developed, the most reasonable approach seems to be the "per capita" basis. In this respect, "per capita" does not necessarily mean according to total population, but rather according to the population to be served by each of the Federal programs. Certain Federal programs lend themselves to more specific or more appropriate formulas. For example, education grants may more appropriately be divided based upon school-age population, or other similar criteria. Also, Federal programs dealing with health care may best be divided according to the health care needs or prevalence of health problems in the various locations. Health problems are influenced by such factors as conditions of the environment, lifestyles, individual and community practices, and many other factors, and are not necessarily based on total population. Once direct grantee status is attained by the three Micronesia governments, the final decision as to distribution of block grants will be made by the individual grantor agencies.

ARCHIVE PROJECT

Question: The records of the United States administration of the Trust Territory since World War II are being collected, indexed, and microfilmed at Trust Territory Headquarters. Funding for this project will run out at the end of this fiscal year. What will happen to these records if this project is not continued? What U.S. agency will become the official repository for these records?

Answer: Because of the importance of maintaining and preserving these records, funds will be made available to continue the program.

The University of Hawaii has been selected as the Pacific Repository for the records, and the National Archives and Records Service has been established as the U.S. Government Archive for the second set of microfilm.

Question: How important are these records? Do they contain documents which would be of importance in courts of law, determining land ownership, citizenship? Do they include social, economic, and fiscal plans and studies which will be of use in development planning?

Answer: Many of the documents are extremely important. The ultimate importance of each document cannot be assessed until all documents have been sorted. Many of the documents would be of importance in courts of law, and in determining land ownership and providing documentary evidence of birth and citizenship. Also, the body of documents does include many social, economic, and physical plans and studies which would be of use in development planning. Examples include economic development projects and studies, soil studies, various school materials, and other similar documents.

Generally, the documents fall into several important categories:

1. Legal: These include land records, Attorney General files, marine resources materials, and other miscellaneous records being used as evidence in a variety of court cases. Although the land records are perhaps the most important, there have been inquiries from various lawyers concerning materials in a variety of fields since the Archives program acquired the files and records of certain Headquarters offices which have been terminated.

2. Historical: The Trust Territory Administration has inherited a variety of documents of historical importance, including German and Japanese records, some Spanish records, and documents dating from the invasion of the Micronesian islands by the U.S. in 1944. In addition, various offices of the Trust Territory over the years have sponsored historical research of various kinds which has never been published or broadly dissiminated, largely because it was to serve a specific purpose in that office. Many of these documents are still in the files.

3. Practical: During the 40 years of U.S. administration, there have been hundreds of feasibility studies, research reports, and analyses of economic development ideas, projects, and concepts completed. Because Trust Territory Headquarters was the originating program office, many of these documents have not received broad circulation. They could assist the new governments in their efforts to avoid certain pitfalls, give new impetus to good ideas, and provide the groundwork and framework for viable economic activities.

4. Statistical: Over the years, records of birth, death; education, agriculture, fisheries, etc., have been kept at Trust Territory Headquarters. In many cases, they were for the Headquarters offices and not distributed. In other cases, because of various office situations, accidents, and disasters in Micronesia, they no longer exist in copies elsewhere.

5. Scientific: Epidemiological records and research, agricultural research, and pollution and environmental studies and background materials were also kept at Headquarters offices, and need to be sorted and copied.

The original intent of the Archives program was to sort through the documents for distribution to the four successor governments: the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Those documents of importance to more than one government would be duplicated. While the original intent of the Archives program still applies, the program has been broadened to preserve, index, and provide copies of important documents for academic institutions and others. Each of the Micronesian governments has established an Archives program to receive and distribute its share of the materials. Also, the Community College of Micronesia, the Northern Mariana Islands Community College, the University of Guam, and the University of Hawaii have all expressed an interest in the documents. It might be helpful to identify other interested beneficiaries and have them contribute manpower or funding to the Archives program. In this way, we could better assess the ultimate disposition of the body of records available at Trust Territory Headquarters.

SOCIAL SECURITY SYSTEM

Question: The Trust Territory Social Security System will continue as a unified system until the Trusteeship ends. While it could continue as a unified system, the Micronesian governments have stated a preference for their own separate programs. They further contend that the United States should fund so-called "prior service benefits". These benefits were extended to persons who worked five years of more for the Trust Territory Government or the U.S. Navy prior to July 1, 1968, when the Trust Territory Social Security System began functioning. Will the Micronesian governments be able to afford under separate systems the same level of benefits at the same level of contributions as under the present unified system?

Answer: Since 1979, the three Micronesian governments have expressed a desire, with varying degrees of enthusiasm, to develop separate social security systems in spite of the statistics, information, and recommendations made by the central Social Security Administration, their consulting actuary, and others, that a unified system would be most practical, workable, and economical. In response to these wishes, the Social Security Administration is devoting every effort to provide the necessary requisites for a viable devolution and establishment of separate viable systems. At the urging of one of the governments, the International Labor Organization conducted a study of the devolution, including recommendations for the transition to and implementation of successor systems. The International Labor Organization agreed to fund a second study and has completed the first phase, which included discussions with key leaders, officials, and others from the three governments. The concensus of officials recognized the desire to develop separate systems over a period of time established by the International Labor Organization to be two years, during which the steps of transition would be carried out. These include enactment of separate legislation; identification of respective members; actuarial evaluation of separate systems and amending legislation needed for smaller systems; training a future Administrator on Saipan; establishment of separate Social Security Administration centers; creation of claims, record systems, accounting, and other similar units; transfer of investments; and continued monitoring of all aspects of the new operations for a period of time by a qualified Social Security consultant. It is recognized that smaller systems will experience some difficulties due to smaller economic base and loss of certain economies of scale currently enjoyed by the present unified system. For example, the Republic of Palau's share will comprise approximately 20% of the current system's assets, and yet will experience substantial increases in administrative costs to fund the operations of a separate program. The Republic of the Marshall Islands and the Federated States of Micronesia would share similar experiences.

Question: Why can't the governments share the administrative cost of a unified system rather than incurring the higher costs of separate systems?

Answer: The three Micronesian governments could easily share the administrative costs of Social Security operations due to the fact that the Social Security Administration funds its own operations. However, they object to a unified plan because it infringes upon their sovereignty and restricts their control and ability to change the system at their own discretion.

Question: Do each of the governments have sufficient numbers of trained personnel to be able to run separate social security systems? What technical assistance has been provided and needs to be provided to train social security personnel? Will each of the social security systems be on a sound actuarial basis?

Answer: One major problem facing the three governments in establishing separate systems is the lack of trained personnel to run those systems. Although training periods of one to two years are recommended for Administrators of social security systems, the actual time required would depend heavily on the qualifications of the candidates. Social Security representatives have been trained and are stationed throughout each of the three Micronesian governments. Additional training and technical assistance would need to be provided during the transition into separate social security systems. This training and technical assistance has and will continue to be provided by the present Social Security Administration.

According to the International Labor Organization's Social Security experts, the Trust Territory Social Security System is one of the most sophisticated and well-managed Social Security schemes in the Pacific Basin. Although successor systems will be more costly to operate, they can succeed if the proper expertise is available, the systems are carefully monitored, and the Social Security Administrations are willing to respond positively to recommendations made as a result of periodic actuarial and management evaluations and reviews.

Question: What is the Administration's position on funding the prior service benefits and how much would that cost?

Answer: The Trust Territory Government has been paying these benefits. The FY 1983 budget includes $250,000 for these payments.

NATIONAL ENDOWMENT FOR THE HUMANITIES

[CLERK'S NOTE.—The subcommittee was unable to schedule a hearing for the National Endowment for the Humanities.]

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Distribution of the Reduction

Question: The fiscal 1983 budget projects a 35 percent reduction in definite program funds. Two areas, however, are reduced by substantially different amounts: Public programs would be cut by 47 percent. The Research programs, on the other hand, are reduced by only 17 percent. Briefly, what are the reasons behind the priorities established by this budget?

Answer: The proposed distribution of program funds is the product of a careful and deliberate process involving staff assessment of the needs in the various program areas and consultation with the National Council on the Humanities. The budget reflects the Endowment's attempt to respond to the needs of individual humanities scholars and institutions, the priorities in programming articulated by the National Council, and the agency mission legislated by the Congress.

While these criteria form the general context of NEH budget preparation, the specific funding level proposed for a particular program area in any given year must also give large consideration to trends in the quantity and quality of applications submitted to the agency. On grounds of either set of criteria, the National Council believes the Research area merits a larger share of Endowment resources than have been allocated to it previously. Moreover, the scholarly work supported by NEH is vital to the present and long-term health of the humanities, building the foundation upon which all other humanities activities rest. Support for research and scholarship in the humanities, therefore, is one of the agency's top priorities in fiscal 1983.

While the share of the budget held by Public Programs and other general audience programs (i.e., Special and State Programs) will be smaller, these programs will still receive over 42 percent of Definite program funds in fiscal 1983.

It should also be noted that applications in the Public and Special areas have fallen since the submission of the appropriation request, which reinforces the budget decisions made in January. Moreover, the National Council has recommended a substantially smaller number of grants this year, with the results that the

Endowment has recently proposed to reprogram about $8.8 million from those activities to the Research and Fellowship programs aiding scholarly work. By comparison to this revised 1982 level, the actual decrease now planned in Public Programs for 1983 will be much less.

Question: If increases are provided above the levels currently requested, should all program areas receive proportional increases, or is there a different priority system which would be used in distributing additional funds than is used when reducing funding?

Answer: The Endowment is not seeking additional funding above the FY 1983 request to the Congress. The current request of $96,000,000 is sufficient to meet the important needs of the major research, educational, and general audience activities which are central to the health and vitality of the humanities in this country. In the event of a higher appropriation, however, the Endowment would not distribute the additional funds to its various programs on a proportional basis. It would, instead, provide more support for the types of programmatic activities it has stressed in the budget submission. This includes programs which facilitate basic humanities research or strive to improve teaching and education in the humanities. General audience-oriented activities would receive a smaller share of any budget increase. Depending on the amount of the additional funds, however, it is probable that most, if not all, program areas would receive at least a small increase. The extent of the increase, again, would reflect the program's position in the Endowment's overall initiatives and priorities for fiscal 1983.

For a more detailed analysis of how the agency would allocate a higher appropriation than requested, please see the Endowment's "capability statement" of May 25, 1982 submitted to the House Appropriations Subcommittee on the Interior and Related Agencies and the Chairman's letter of August 2 responding to a related inquiry from Congressman McDade. Copies of these have been forwarded to the Senate Appropriations Subcommittee.

Federal Council on the Arts and Humanities

Question: No funds are requested in your budget to support the Federal Council on the Arts and the Humanities. $58,000 is contained in the NEA budget for this purpose. It was our understanding that the Federal Council would continue to function--do you have different information?

Answer: We expect that the Federal Council will continue to exist, with its principal function being to administer the Arts and Artifacts Indemnity Act. We understand that the $58,000 set aside in the NEA budget for FY 1983 will be sufficient to maintain this function.

President's Committee

Question: There has been established, through an executive order, a President's Committee on the Arts and the Humanities. The two endowments are equally responsible for all administrative staff, support services, facility costs, and expenses of Committee members. Are you prepared to fund these costs from within the budget presented to the Committee?

Answer: The Chairman of the Humanities Endowment is a member of the President's Committee, and the Endowment will be cooperating with the Committee as it deals with issues pertaining to the humanities. However, it is currently anticipated that the actual expenses of the Committee and its operations in 1983 will be provided by the Arts Endowment.

Question: Will this Committee be continued in fiscal year 1983?

Answer: We expect that it will be continued in FY 1983.

Question: Have you any estimate of the cost of this Committee and how often it will meet?

Answer: We expect that the salary, travel and other expenses of the Committee will total approximately $250,000 per year, and that it will meet three to four times per year.

Question: The Committee is to be empowered to accept funds from non-Federal sources. Have you considered requesting that the endowments be reimbursed for expenses from the funds which are raised?

Answer: It is our understanding that the President's Committee has not been empowered to receive funds from non-Federal sources. We understand that the Executive Branch may not vest such gift acceptance authority in an advisory body. Such authority can be vested only by Congressional statute.

Question: Is it your feeling that both the Federal Council and the proposed President's Committee are necessary?

Answer: We think that both the Federal Council and the President's Committee are necessary since they would serve different functions. The latter is an advisory group, composed primarily of private citizens, which will make recommendations to the President and the two Endowments concerning private sector support for the arts and the humanities, as well as other topics. The former will continue to administer the Arts and Artifacts Indemnity Act.

Relocation of the Endowment

Question: $140,000 is requested for the costs of moving to the Old Post Office Building. Included in the cost of the move is $24,000 to lease 4 additional copying machines. Why is this listed as a moving cost?

Answer: This should not have been included as a one-time cost, but as an on-going operating cost.

Question: The move has again been delayed and is not now scheduled until January. How does this affect the estimates contained in your 1983 budget?

Answer: The delay of the move from October, 1982 to January, 1983 does not seriously affect the estimates for SLUC (the Standard Level User Charge) payable to the General Services Administration in FY 1983. Our SLUC estimate, as submitted to you, was based on our being assigned 50,000 square feet at the Old Post Office Building. The most recent estimate we have from GSA - dated July 23, 1982 - calls for a space assignment of 55,301 square feet, 5,301 square feet more than originally anticipated. In addition, we would keep 5,000 square feet of basement storage at our present location, 806 15th Street, N.W. Below is an estimate of our FY 1983 SLUC based on the information we have at this time.

Present space - 806 15th Street, N.W. October thru December, 1982	$201,000
Old Post Office - January thru September, 1983 55,301 sq. ft. x $26.43 sq. ft. x 9 months	1,096,200
Storage space - 806 15th Street, N.W. January thru September, 1983 5,000 sq. ft. x $8.11 sq. ft x 9 months	32,300
Total	1,329,500
Amount in FY 1983 budget request	1,321,500
Difference	$ 8,000

Media Program

Question: The fiscal year 1983 request for media projects is approximately half of the amount available in the current year. There would, however, be a decrease of 84 percent in the number of hours of programming which would be produced for television. There would be a slight increase (from 30 to 32 hours) of programming produced for radio. Radio programs are obviously less expensive to produce, but how does the radio audience for your programs compare with the television audience?

Answer: First, as detailed in the response to the next question, a revised projection of FY 1983 outputs has recently been made which reflects more recent NEH grant experience. It is now estimated that with the allocation planned for FY 1983, NEH grants will produce 25 hours of TV programming and 15 hours of radio programming.

As regards the audiences served by the Media program, the potential radio audience is smaller than the potential television audience for a variety of reasons.

Although the public radio audience is loyal and growing, the highest audience figures for a single program are 2 million people per week, for "All Things Considered," and that figure is cumulative (i.e., counts repeat listeners as if they were new). Individual radio programs or series will reach fewer people. By comparison, the public television audience is far more elastic, with most programs reaching at least 2-3 million people on the first airing and many more millions on subsequent showings. For example, "The Ballad of Gregorio Cortez," which aired in May 1982 as part of the "American Playhouse" series, drew an audience estimated at 10 million people on its first airing.

Nevertheless, radio programming is of major significance, for it reaches a large and somewhat different audience at relatively low cost, presenting programs that are especially appropriate for that medium, and, thereby, offering better programing possibilities for certain humanities disciplines, e.g., philosophy, than television offers.

Question: Why is the percentage decrease in the TV programming hours, on the other hand, so much greater than the percentage decrease in funding?

Answer: Actual FY 1982 expenditures and recent trends in applications in the Media program since the submission of the 1983 appropriation request now suggest that the proportion between television and radio hours in FY 1983 will differ from that originally projected. In FY 1982, the Endowment is supporting 32.5 television hours and 18.5 hours of radio programming, spending $5,300,000. During FY 1983, with an allocation of $4,200,000, it is now estimated the agency's grants are more likely to result in 25 hours of television and 15 hours of radio programming. The decrease in television hours and the allocation for media grants in FY 1983 will thus each be approximately 20%.

Library Projects

Question: $500,000 is requested for Library Projects, less than 20% of the amount of funds available in fiscal year 1982. According to the justification, this would support between 7 and 10 projects. With an average of 14 libraries participating in each project, you would effectively be reaching a maximum of 140 libraries, or less than one-half of one percent of the total libraries in the nation. Is it really worthwhile to continue funding for a program of such limited impact?

Answer: While the Endowment is reducing the amount of funds for library projects oriented to general audiences, it believes that its funding can have an important impact by aiding the development of programming materials or the demonstration of exemplary projects -- especially at a state, interstate, or national level -- which will serve as models for hundreds of small libraries across the country.

At the same time, it should be noted that application numbers and quality in the Library program fell this year; and after assessment of the projects funded, the Chairman and National Council have recently concluded (1) that the staff should reconsider the ways libraries can provide effective humanities programming to their communities and (2) staff should present options for a restructured program next year. While it is still expected that $500,000 will be awarded for various library projects in 1983, the Council has also recommended that this sum should not be regarded as a specific set-aside, but rather only projects deemed truly exemplary should be funded.

Question: More than half of the grants which have been awarded under this category have been used for regional or state-wide activities. Why not add the $500,000 to the amount proposed for the states and give them the responsibility for library projects--especially in view of the fact that about 95 percent of the support for libraries is provided by the state and local governments?

Answer: Even though approximately 90 percent of the support for libraries is provided by state and local government, NEH support for libraries is the only funding source, Federal or non-Federal, to libraries for projects that encourage the use of the vast collections of humanities resources in conjunction with scholars who interpret the materials housed in libraries. State and local governments have never provided this type of programmatic funding.

Though the State Humanities Councils often do fund projects that involve libraries, we could not be assured - nor would we want to require - that states use funds for that specific purpose. Moreover, a substantial part of the $500,000 are for projects that are interstate or national in scope, and thus beyond the activities of any particular state. Further, some state council grants usually average about $5,000; therefore, those projects with larger focus and scope, would almost always be beyond the scope conducted by the state councils.

Education Programs

Question: 10 million, 700 thousand dollars is requested for education programs. According to the justification, to obtain Endowment support, projects must be "exemplary." Having funded an "exemplary" project, what steps are then taken to distribute the information gained to a wider audience?

Answer: The steps vary according to the nature and purpose of the projects, but they include the following:

--Information on all grants is coded for entry into a computerized historical data file. This information can be retrieved and supplied to persons interested in a given project or project field. Ordinarily the Endowment seeks to put the person requesting information about a project in touch with the project director, but program officers also use the data file to assist inquirers. All grants made since 1979 are in the file, and in one program those made in 1975-78 have also been entered.

--The historical data file enables the Endowment to prepare publications listing projects according to selected topics or fields and by type of institution conducting them. Staff members speaking at a meeting of historians for example, would be able to take with them for distribution computerized printouts of grants in history with brief descriptions and names of projects directors. Similarly, presentations at meetings with representatives of a given type of institution--community colleges, for example--can be augmented by listings of grants made to institutions of the type represented. The Endowment's capacity to make information available through the data file is limited only by a shortage of staff time.

--Program officers have intimate knowledge regarding the projects funded in their programs. They also know which projects deserve to be recognized as truly exemplary. In public appearances at conferences of professional organizations and at meetings of development officers and grants administrators from schools and colleges, as well as in telephone conversations with inquirers, they draw extensively on this knowledge.

--Information about grants is disseminated through summer institutes (for both school teachers and college professors), where participants come together to study under the tutelage of successful project directors.

--The Division of Education Programs regularly sponsors conferences on selected topics at which information on projects it has funded is made available in a systematic way.

For example, in 1981-82, it sponsored two conferences on teaching the ancient world, which featured directors of successful projects on this topic. In 1983, the Division plans to offer a series of conferences along the same line, with the focus being on Asian studies. In 1980-82, more than 100 community colleges each sent three representatives to conferences co-sponsored by the American Association of Community and Junior Colleges on intergrating the humanities into occupation programs in two-year colleges.

--The Division assists in arranging conference presentations by directors of NEH projects. For example, in September of 1982 a project director will appear on the program of the annual meeting of the American Association for State and Local History; in December, three directors will make presentations in a session at the meeting of the American Historical Association.

--Information about grants is published in the Chronicle of Higher Education and Humanities (the publication of the Endowment). Additionally, the Division regularly provides the NEH Public Affairs Office with information about grants that merit publicity because of their exemplary nature.

Consultant Grants

Question: Of the funds in the education programs, $600,000 is for consultant grants. Do the institutions select the consultant and then request Endowment support, or does the Endowment have a list of consultants which they make available to the colleges and universities?

Answer: The Endowment maintains a roster of consultants, known as the National Board of Consultants, made up of persons nominated by the staff of the Division of Education Programs. Members of the Board include: outstanding faculty persons who have directed projects, key project personnel, administrators, and reviewers of other NEH-funded projects. For each Consultant grant funded, the staff identifies Board members whose experiences, expertise, availability, and accessibility are appropriate to meet the applying college's needs. Applying colleges may, if they choose, request a particular consultant from the Board, but in all cases applicants must corroborate the Endowment staff's recommendation of a particular consultant. The NEH staff serves as an informed, disinterested party in matching needs of colleges to the expertise, experience, and "personal" suitability of the consultant, and because the staff has observed and evaluated the work of each potential consultant, NEH can vouch for the appropriateness of the consultant to the task.

Question: Please provide for the record a list of all the consultants who have been used by the Endowment more than ten times over the past three years.

Answer: No consultant has been used more than ten times within the past three years. In fact, only two of the 300 consultants on the National Board of Consultants have been used as many as seven times during that period. Most consultants have only one assignment at a time; since consultancies often run for more than a year, the vast majority of the consultants have a very limited number of assignments within a three-year period.

Summer Stipends

Question: $500,000 is requested to provide 220 Summer Stipends of $2,500. What proportion of the awards is made to college and university teachers as opposed to individuals who are not associated with an institution?

Answer: There is no predetermined number of awards for either college and university faculty members or for individuals not associated with an academic institution. Five (2.2%) of the 230 1981 Summer Stipends were awarded to independent scholars not affiliated with an academic institution. For 1982 the number was two (0.8%) of the 260 awards made by the Summer Stipend program. Conversely, scholars affiliated with colleges and universities received 225 (97.8%) of the 1981 Summer Stipends and 258 (99.2%) of the 1982 awards.

Question: The justification states that a maximum of three individuals from any one institution may receive stipends. Is this three annually, or three forever?

Answer: Each year a college or university in the United States may nominate up to three of its faculty members who can then compete for NEH Summer Stipends. Seven colleges and universities were fortunate enough to have all three of their nominees receive 1982 Summer Stipends. This success will not affect the chances for faculty members at those institutions in subsequent Summer Stipend competitions. The limit of three is annual, i.e., for each year's competition.

Panel Review System

Question: An individual who has served as a panelist for the Arts suggested to the Committee that the Endowments conduct the application review process by mail rather than convening panel meetings. Two reasons were suggested, the obvious one being a reduction in the cost of reviewing applications. Equally important, however, this person felt that a review by mail would result in improved results. It is the feeling of this person that too often one or two very vocal panel members dominate the review and the results are skewed toward those applications favored by a few individuals. Why couldn't all the application reviews be conducted by mail?

Answer: In the Endowment's Division of Research Programs staff experimented last year with mail-out panels in two program categories and relied on conference phone calls to settle disputes. The results were poor. We saved money, but the quality of the decisions was decidedly impaired.

NEH panelists are mostly academics well versed in the practices of the seminar; panels are chaired by staff who are quick to prevent the kind of domination referred to in the question. It should be noted that much expert review of NEH applications is provided free. Many programs use, in addition to panels, individual specialist readers. For example, in the Research programs applications are normally sent first to these specialists, who are unpaid. Their assessments are then presented to a panel. Since 85 percent of the Research applications are deemed by the specialist to be fundable, panels have the difficult task of distinguishing between good, very good, and excellent proposals. Moreover, the ranking of applications recommended for funding cannot be done fairly without face-to-face discussion. (As a point of information: the division solicits some 10,000 reviews annually without payment; the Canada Council pays $25 apiece for such counsel.)

Considering the generally high-quality of NEH-funded projects, and the need to insure the best advice from field experts is brought to bear on NEH grant decisions, the National Council has urged continuation of the present panel form of review.

Applications

Question: In fiscal year 1982, the Endowment experienced a 13 percent decrease in the number of applications compared to fiscal 1981 and 30 percent below fiscal 1980. With projected fiscal 1983 funding more than $30 million below fiscal 1982, how is it that you expect that applications will exceed the fiscal 1981 level?

Answer: The agency considers FY 1982 to be an aberrant year in terms of volume of applications. Applications for grants dropped off sharply because there was much publicity and some misinformation in the popular and scholarly presses about the degree of funding reductions earmarked for the humanities and other cultural endeavors under the President's economic recovery programs. There was also some question as to the long-term future of the agency. Many potential applicants, therefore, were reluctant to begin the painstaking process of developing an application for submission to an agency (or program) with such rumored cloudy prospects.

Now that much of the uncertainty surrounding the Endowment has been removed (the President has re-affirmed his commitment to Federal funding for the arts and humanities as recommended by his Task Force on the Arts and the Humanities and funding levels have stablized), we expect the volume of applications to rise above fiscal 1982 and perhaps exceed fiscal 1981. Some of this increase may come from humanists who postponed submitting applications last year but are ready to do so now. In fiscal 1983, the Endowment also plans to hold its first competition for Challenge Grants since FY 1981; this should generate approximately 250 additional applications from humanities institutions and organizations.

Question: In fiscal 1983, the Endowment will be funding only 60% of the number of grants that were made in fiscal year 1980. Have any steps been taken to alter the review process to take this into account?

Answer: The review process is more affected by the volume of applications received by the programs than by the number of grants awarded, i.e., applications must still undergo review regardless of the number of awards made. The Endowment is, however, seeking ways to improve its peer review system in order to make it more efficient, less expensive and, most important, more equitable to applicants. Endowment staff, for example, relies heavily on the agency's computerized listing of reviewers, evaluators, and panelists (REPS system) to select qualified specialist reviewers and panelists rather than drawing exclusively from "well-known" scholars. In some programs with high volumes of applications, staff may pre-screen applications in an effort to weed-out ineligible and underdeveloped projects and thereby lighten the burden on reviewers and panelists. The agency has also experimented with mail panels to cut the cost of bringing scholars from across the country to Washington; to date, however, the performance of these mail panels has been of lesser quality than panels convened in Washington. Other programs have grouped applications into fewer panels in response to the decrease in the number of applications received in fiscal 1982. Finally, it should be stressed that these small changes in the review process reflect efforts to improve the performance and fairness of the process and are less a response to a decline in the number of grants awarded.

Question: Please provide for the record the following data for fiscal years 1981, 1982, and estimated 1983: number of panel meetings, attendance at panel meetings, number of days of panel meetings, and total cost of panel meetings.

Answer: Requested information follows:

	Actual FY 1981	Estimated FY 1982	Estimated FY 1983
Number of panel meetings	159	136	165
Number of panelists attending	1,041	840	1,150
Number of meeting days	271	206	300
Total cost of panel meetings	$703,348	$460,000	$738,400

Several things should be noted about the FY 1982 data. First, the estimated cost is a revision from earlier estimates and reflects the actual costs incurred during the first 10 months of the fiscal year plus fairly firm projections for the panels now scheduled for August and September. Secondly, the reduced FY 1982 costs result to a large extent from the uncertainty about the agency's budget for FY 1982 during the first quarter of the year. Activities, like panels, which are funded from the Administrative budget had to be drastically curtailed between October and January. In order to keep panel costs low the agency employed a number of methods including heavier panel workloads, use of a smaller number of panels, use of more panelists from the Washington, D.C. area, and experimenting with mail-out panels. The results of these were a deterioration in the quality of review as well as an imbalance in the geographical representation on panels.

Given the directive of the NFAH Act that panels "shall have broad geographic and culturally diverse representation" and the need for grant decisions to be based on careful assessment by field experts, the Chairman and National Council believe that adequate support for full panel review merits highest priority in future budgets. The panel costs projected for next year, therefore, reflect not only an expected increase in applications but also the Chairman's intention to recruit the most competent reviewers regardless of geographical location and to give them sufficient time to perform a thorough, high-quality evaluation of all the proposals submitted to the Endowment. This will help assure that those projects subsequently receiving Federal support will be those most likely to make important contributions to the humanities.

Administrative Costs

Question: In a capability statement provided for the House Interior Appropriations Subcommittee, NEH indicated that no increase in administrative expenses would be required to manage a program of $34 million more than the budget request. If such an expanded program could be effectively administered with $12,200,000, why can't some savings be realized in administration under the $96 million budget?

Answer: The $12.2 million represents the costs of the minimum administrative needs to carry out a total NEH budget of $96 million. Our administrative burden would not be significantly affected with a sizeable increase in program funds, at least in the short run. We anticipate that we would receive substantially the same number of applications at the $96 million level as at the $130 million "capability" level, and it is this factor and the workload of our on-going active grants which bear most directly on the administrative budget. We do feel that we could absorb within the $12.2 million the small increase in workload which would occur were additional funds to be appropriated.

Question: Newspaper accounts indicate that there will be some savings with your fiscal year 1982 administrative budget. What is your best estimate of these savings?

Answer: Our best estimate at this time of the savings to be realized in our fiscal year 1982 administrative budget is $750,000.

Question: Do you intend to lapse these funds?

Answer: Yes. These unused funds will automatically expire for obligation on September 30, 1982.

NATIONAL CAPITAL PLANNING COMMISSION

[CLERK'S NOTE.—The subcommittee was unable to schedule a hearing for the National Capital Planning Commission.]

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

COMPREHENSIVE PLAN

Question: The Commission has been in existence for 30 years and we are still awaiting acceptance of a Comprehensive Plan. To date, only three of the eight Federal elements of the plan have been adopted. Is your hope realistic that an additional four elements will be adopted prior to the end of 1982?

Answer: The Commission was created in 1924 and has for the past 58 years provided planning guidance for development of the National Capital. Prior to home rule in the District of Columbia, the National Capital Planning Act of 1952 charged the Commission with preparing and adopting a comprehensive, consistent, and coordinated plan for the National Capital, including the District of Columbia. Since 1952 many plans have been prepared and approved. These include the Year 2000 Plan, the Regional Development Guide, 1966-2000, and several parts of the Comprehensive Plan for the National Capital, including Land Use, Transportation, and Parks and Recreation Facilities Plans.

However, since 1974, the Home Rule Act provides that the Mayor prepare District elements and the Commission prepare Federal elements of the Comprehensive Plan. Three Federal elements, Federal Goals for the National Capital, Foreign Missions and International Agencies, and Federal Environment, have been adopted. Staff drafts of four additional elements, Federal Facilities, Federal Employment, Preservation and Historic Features, and Open Space and Natural Features, are currently being reviewed with the Commission. The Commission has established a schedule and is well on its way to the adoption of these four elements by the end of 1982.

Question: The General Accounting Office is currently reviewing the work of the Commission and one of their early findings is that there is no concensus within either the Commission itself or the staff members of the Commission on the definition of "Federal interest." Is it possible to effectively discharge your responsibilities without having defined the Federal interest as it relates to the Commission?

Answer: Yes, it is possible to, and indeed the Commission has effectively discharged its responsibilities without having an all encompassing definition of "Federal interests." Since its inception, the Commission has defined the Federal interest on a "case-by-case" basis as it prepared Federal elements of the

Comprehensive Plan and the Federal Capital Improvements Program for the National Capital and reviewed Federal and local development plans and capital improvements programs.

It is interesting to note that from time to time Congress has addressed the issue of defining the "Federal interest", most recently in 1972 and 1973 through its Commission on the Organization of the Government of the District of Columbia (the Nelsen Commission) and in the hearings and the deliberations of the House Committee on the District of Columbia leading to Home Rule. However, no textbook definition resulted from these deliberations as Jason I. Newman and Jacques B. DePuy point out in their definitive analysis of Home Rule, "Democracy to the Nation's Lost Colony: The District of Columbia Self Government Act", The American University Law Review, Vol. 24, No. 3, 1975:

> "Furthermore, as the Congress discovered, defining the 'federal interest' may be a practical impossibility because of a conflict between those whose primary concern is the preservation of an unspoiled national capital and those who favor total self government in all areas including planning."

Recently, however, the Commission and the Metropolitan Washington Council of Governments established an Ad Hoc Committee on Federal Planning and Development in the Washington Metropolitan Area. The Committee has completed a report entitled "Principles and Process for Identifying Federal Interests in the National Capital Region." This report states in part:

> "After extensive debate, the Ad Hoc Committee agreed that a definitive and all encompassing definition of the 'federal interest' for developmental planning and programming principles for use within the region was not practicable. But, at the same time, it was concluded that the term should not be wholly a subjective invention. Nor should its definition be limited to piecemeal responses to the exigencies of a given situation. It was agreed, therefore, to establish a set of principles for determining the parameters of the term for use within the region's development processes."

Ten principles for identifying Federal interests were outlined by the Committee, as well as a suggested process for implementing the principles.

The Committee's report is currently under review by the sixteen local government members of COG prior to consideration by the COG Board and the Commission in September.

PROJECT REVIEWS

Question: Is the Commission charged, by law, to review general plans and capital improvements projects of local area governments?

Answer: The Commission reviews District elements of the Comprehensive Plan for the National Capital, the District of Columbia government's multi-year capital improvements plan, and District government project plans, all in accordance with the National Capital Planning Act of 1952, as amended. Federal interest reviews of general plans and capital improvements programs of other local governments in the National Capital Region are made by the Commission under Office of Management and Budget Circular A-95 and the mandate of the Congress to the Commission in the Planning Act to "serve as the central planning agency for the Federal Government within the National Capital Region and in such capacity to review their development programs in order to advise as to consistency with the comprehensive plan." It would seem that there is no way to meet the mandates of the Planning Act of 1952, as amended, without reviewing the general plans and capital improvement projects of local area governments.

Question: In fiscal year 1981, 2,700 non-Federal capital improvements projects were reviewed. A total of 185 (less than 7 percent) were determined to have potential effects on the Federal interests and were referred to the various Federal agencies. Of those 185 projects, on how many did the other Federal agencies agree with the Commission's determination of potential impacts?

Answer: Federal agencies who responded to the Commission's request for Federal interest comments on the non-Federal capital improvements programs identified some specific concern or indicated the need for coordination regarding 82 of the 185 projects. The remaining 103 proposed projects were in close proximity to Federal installations or appeared to have the potential to have impact on other Federal interests. Reviews by the Commission and other Federal agencies indicated, however, that there were no adverse impacts associated with these 103 projects at the program stage.

Question: Of the 185 projects, how many were altered as a result of your review?

Answer: Referrals of proposed non-Federal program projects are made to Federal agencies for the primary purpose of achieving intergovernmental coordination at the earliest possible stage of development. In most cases design has not started on the projects at the program stage and the recommendations that are made by the Commission and other Federal agencies at this stage are intended to influence rather than alter a project. In some cases, the Commission's recommendations and participation of other Federal agencies may directly affect project siting and design. For example, consideration of the Rock Run Sewage Treatment Facility in Montgomery County, Maryland, facilitated through the Commission's program review, enabled the County government and directly affected Federal agencies to determine the best locations for pumping stations and related piping. In addition, two of the Federal agencies involved required permit applications to be submitted for the proposed project. Therefore, the review for Federal interest in this instance provided necessary coordination for all governmental entities involved in the project.

The review of the capital improvements programs has been a reciprocal process between the Commission and local jurisdictions in the region during the past six years. To the best of our knowledge, when comments are received, efforts are made by the effected jurisdictions or agencies to address the comments and, where possible, make necessary adjustments. Where adjustments are not made, responses to the questions or issues are generally provided to assure the other party that thoughtful consideration has been given to the question. In this manner a cooperative sprit of intergovernmental review has developed and is continuing with beneficial results. However, the benefits are best measured in terms of preventing problems from occuring in many cases, and economies are realized from projects that are planned and developed in a thorough and thoughtful manner.

Question: What percentage of your staff time is devoted to individual project reviews?

Answer: Approximately 60 percent of the total staff time resources is devoted to the review activities, although this figure varies based upon the rate at which submissions of projects are made. The staff has been organized so that a majority of its members, including specialists in such areas as urban design, historic preservation, environmental planning, and transportation, and such staff members as the General Counsel and the Executive Director, can advise, support, and supervise the work on both the Comprehensive Plan and project review activities. Therefore, most members of the staff at all levels and in various functional areas devote substantial portions of their time to the Commission's individual project reviews.

Question: As only one-third of the Federal elements of the comprehensive plan have been adopted, what is used as the background in reviewing the individual projects?

Answer: The Commission uses the aggregate of its previous actions, studies, and plans as a context for its current review of individual proposals and projects. It also uses urban planning principles and practices that are generally followed in the United States.

More specifically, the Commission uses the following as background for its review of individual projects:

1. Federal and District elements of the Comprehensive Plan for the National Capital that have been adopted;
2. elements of the Comprehensive Plan adopted prior to Home Rule (the "Red Book") that still reflect Commission policy unless subsequently modified or rescinded;
3. other approved Federal agency regional or system plans for the Washington area, such as those of the Department of Defense and the U.S. Postal Service;
4. approved master plans for Federal installations in the region. Over 60 such plans have been approved by the Commission to date;
5. the annual five-year Federal Capital Improvements Program for the National Capital Region and the Commission's recommendations incorporated therein;
6. approved site and buildings plans for individual projects;
7. Commission comments on various draft environmental impact statements -- such as FAA's proposed operating policy for Washington National and Dulles International Airports;
8. special studies previously undertaken by the Commission and its staff -- such as the Constitution and Independence Avenues Special Street Plan study and the Waterfront Study;
9. standards for the submission of materials for review by the Commission and a methodical review process to evaluate submissions;
10. the expertise and experience of the Federal agencies and departments represented on the Commission and others that have activities and programs in the Region; and
11. relevant statutes, executive orders, and OMB regulations affecting Federal planning and intergovernmental relations in the National Capital Region.

In addition, the Commission also uses the following as a context for its reviews:

1. the Metropolitan Washington Council of Government's Metropolitan Policy Guide for the future growth and development of the Region;
2. the Washington Metropolitan Area Transit Authority's adopted Metro Rapid Rail Transit System;
3. comprehensive or general plans of the local governments in the Maryland and Virginia portions of the Region and

other related planning and development policies and regulations; and

4. relevant policies and plans of the states of Maryland and Virginia, as they apply to portions of the National Capital Region.

S. 1433

Question: Legislation has been introduced which would transfer certain planning and review authorities from NCPC to the District of Columbia government relating to the location of public housing; adoption and modification of urban renewal and redevelopment plans; highways; sales of D.C. surplus property; exchange of D.C.-owned property; and conduct on district waters. How much of your staff and resources are currently devoted to these activities?

Answer: Approximately 10 percent of the review staff's time is devoted to the reviews of public housing, permanent system of highways plan changes, sales of surplus D.C. property, exchanges of D.C.-owned property, and D.C. Harbor Regulations and the adoption and modification of urban renewal plans. There has been little review activity in each of these areas, except urban renewal plan modifications, in recent years.

Although adoption and approval responsibility over all of these functions would be transferred to the District of Columbia Government under the provisions of S.1433, the Commission would still be responsible for an advisory review of public housing proposals and exchanges of D.C.-owned property (which, in effect, involve the acquisition of property by the District Government), pursuant to Sec. 5 of the National Capital Planning Act. In addition, it has been suggested that, although preparation and adoption or approval authority over all of these functions should properly be transferred to the District Government, some form of Federal interest review over such activities by the Commission is desirable to provide for continued protection of Federal interests in the Nation's Capital. Some of these functions, in particular the urban renewal planning authority, involve basic land use and transportation policy planning responsibility similar to that in the District Government's authority for the planning of local elements of the Comprehensive Plan. It is for this reason that some type of Federal interest review, either advisory or similar to that provided for the local elements of the Comprehensive Plan, may warrant consideration.

FUTURE OF THE COMMISSION

Question: If the remaining elements of the Comprehensive Plan are adopted within the next two years, what do you see as the role of the Commission for the rest of the 1980's?

Answer: As the central planning agency for the Federal government in the National Capital Region, the Commission will continue to provide planning guidance for the development of the National Capital in coordination with local jurisdictions, State and regional agencies. The Comprehensive Plan is one of the most important tools for providing this guidance. However, it is not the only tool. The goals and policies for development of the National Capital established in the Comprehensive Plan will be achieved through the continuous application of a variety of planning tools or mechanisms. The Comprehensive Plan itself will require maintenance to keep it current and up-to-date with modifications responding to changing conditions. The initial efforts of the comprehensive planning program will uncover areas of concern, issues and problems which could not, because of the press of time, be completely addressed "the first time around." It is only after a reasonable period of policy application and evaluation that needed adjustments or modifications to the original effort become evident. Moreover, additional Federal elements will be required to provide guidance on new issues and problems that may arise. For example, an element dealing with planning for visitors and tourists is proposed for FY 1983. Detailed plans for special areas such as the Monumental Core will be required to provide more specific guidance to resolve development problems and meet the needs of Federal agencies as well as visitors and tourists. Coordinating and programming the capital improvements required to meet the current as well as long-term needs of Federal agencies and implement the Comprehensive Plan is another important planning activity of the Commission that is undertaken annually.

Essential planning guidance is provided by the Commission through the review of Federal agency development plans and project proposals in the region and to insure consistency with the Comprehensive Plan. The review of local and regional plans to coordinate the Federal interest with those of local jurisdictions is also an important on-going function.

Continuous effective Federal planning beginning with the L'Enfant Plan in 1791, has resulted in our most attractive and world renowned National Capital which we enjoy today. We believe that continued planning is required to effectively guide its future.

INDIAN HEALTH SERVICE

[CLERK'S NOTE.—The subcommittee was unable to schedule a hearing for the Indian Health Service.]

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

General Overview

Question: The budget contains no funds for facilities or sanitation construction, for the Community Health Representatives (CHR) Program or for the Urban Health program. The remainder of the programs in the Services account, however, are increased by $50,600,000 over the fiscal year 1982 level. What is the rationale behind the decision to zero the CHR program, the Urban Health program, and the construction accounts while providing increases in the other programs?

Answer: The President's budget request for fiscal year 1983 eliminated funding for the CHR program. This decision was made as part of the effort to control Federal spending. Those programs eliminated or reduced were those viewed as lower priority health care services programs. Likewise, the fiscal year 1983 budget request does not provide funds for construction of health care facilities because the Department has established the highest budget priority in fiscal year 1983 as the provision of direct health care. In regard to the Urban Health program, the President's fiscal year 1982 budget request proposed a two-year phase out of urban programs with zero requested for fiscal year 1983.

Chinle Hospital Staffing

Question: A total of 362 positions are planned for staffing of the new 60 bed Chinle hospital. How does this staff-to-bed ratio compare to non-Federal facilities?

Answer: There are actually 336 positions planned for the new Chinle facility of which 295 positions will be used in the hospital. The remaining 41 positions are in the outreach programs such as Health Education and Community Health Nursing that are not a part of the inpatient and outpatient function of the hospital. In order to make any comparison, we must convert the 295 hospital positions to Full Time Equivalent (FTE) positions. The lapse rate which the IHS uses for budget purposes is 4 percent. The application of this lapse rate would then equate to 283 FTE for the Chinle facility.

The American Hospital Association (AHA) publication entitled Hospital Statistics, 1981 Edition, in Table 5 on page XVI lists a 298 FTE requirement for 1980 for hospitals in the 50-99 bed size. One must remember that the AHA data is for calendar year 1980 which is the latest published data available. The calendar year 1981 data will be available when AHA publishes the next issue of Hospital Statistics which should be available in September 1982. The increase in 1980 over 1979 was 0.3 percent and you would expect a similar or an additional increase in the subsequent years. Therefore, to project the crease in the private hospitals forward three years, the FTE for private hospitals in the 50-99 bed range would be estimated for fiscal year 1983 to be 01.

The estimated difference between Chinle (IHS) and a private sector hospital for fiscal year 1983 is then 18 FTE. The difference is significant when you consider the vast difference in operating methods between the two systems. Chinle is a comprehensive health care delivery facility while the private sector community hospital does not furnish the full range of services that are available from a comprehensive health care delivery facility. Another example is that the IHS facilities also assume many of the city/county/state board of health functions that are a part of the direct ambulatory care system in IHS, but would be provided in the private sector by another public agency.

Question: An additional 139 positions are requested in fiscal year 1983 for Chinle at a cost of 2 million, 905 thousand dollars. The Committee has been informed that no housing is available for employees at Chinle. Can you realistically expect to hire 139 people next year if no quarters are available for them?

Answer: The Indian Health Service (IHS) plans that all 139 positions will be filled in fiscal year 1983 or very early in fiscal year 1984. The IHS estimates that of the 139 positions, 56 positions will consist of "local hire" which do not require staff quarters and can be recruited and hired in fiscal year 1983. In addition 20 units of constructed quarters which were funded in fiscal year 1979 will be turned over by September 1982 to IHS for staff occupancy upon completion of minor renovations. Some of the single staff members can jointly live in the two and three bedroom units until one bedroom units become available. The Department is currently considering proposals for additional housing. However, we still believe that all of the positions should be authorized in fiscal year 1983 to allow the recruitment of personnel. As newly constructed quarters become available these postitions would be filled.

Question: What lapse rate was used to determine the cost of the new hires?

Answer: The IHS utilized a lapse rate of approximately 25 percent to determine the cost of the 139 positions requested in fiscal year 1983 for Chinle.

Question: The projected workload at Chinle is 87,000 outpatient visits based on a total service population of 22,000. This is almost 4 visits for every individual and does not include hospitalization. Do you really anticipate such a high utilization rate?

Answer: We do not feel that the projected Chinle outpatient workload is high. It has been our experience that the number of outpatient visits to a newly constructed facility has been about 49 percent higher than before construction.

Question: Please provide for the record examples of outpatient visits as a proportion of the service population at several other IHS facilities.

Answer: As the table indicated the fiscal year 1981 overall outpatient visit rate for the Navajo Area is 4.2 visits per person, and the Chinle Service Unit rate is 4.1. The projected outpatient rate for the new Chinle Hospital outpatient clinic of 3.9 is not inconsistent with the present experience of the Chinle Service Unit or the Area itself, and is considerably lower than the rates seen at other service units such as Gallup, Tuba City or Kayenta.

NAVAJO AREA

Service Unit	FY 1981 Outpatient Visits	FY 1981 Population	Outpatient Visit Rate
Total, Navajo Area	632,505	149,020	4.2
Chinle	82,064	20,064	4.1
Crownpoint	30,952	11,601	2.7
Fort Defiance	89,592	21,073	4.3
Gallup	150,741	22,155	6.8
Kayenta	60,692	12,273	4.9
Shiprock	80,192	32,597	2.5
Tuba City	98,803	17,595	5.6
Winslow	38,477	10,774	3.6

Increased Cost of Health Care Under Contracts

Question: On page 16 of the justification, an increase of 13 million, 541 thousand dollars is requested for "Increased Cost of Health Care Under Contracts". The fiscal year 1981 base was 18 million, 142 thousand dollars. The increase requested for fiscal '81 was 1 million, 270 thousand dollars; and for fiscal '82 the requested increase was 7 million, 974 thousand dollars. The proposed fiscal 1983 level is 225 percent greater than the fiscal year 1981 level. Why is there such a large rate of increase in this area?

Answer: In FY 1981, the Indian Health Service requested increases in two separate line items for costs relating to contractual services. First, an increase of $1,270,000 was requested for increased cost of contractual services, an increase of 7%, and identified the FY 1980 base as $18,142,000. This increase was for such services as laboratory, x-ray, laundry and towel services for the hospitals and clinics, utilities, etc. Secondly, an increase of $4,340,000 was requested for increased cost of medical care under contract, an increase of 11.1%. This increase was requested for health services purchased from Tribes or Tribal organizations and for fee basis consultants providing services in IHS hospitals or clinics. Since all Tribal contracts were not included in this line item increase, no base was identified.

Since both of the line item increases, identified separately in FY 1981, related to health services purchased under contract, IHS decided to combine the two increases into one line item increase in FY 1982 and FY 1983. In FY 1982, an increase of $7,974,000 was requested for increased cost of medical care under contracts or grants, an increase of 9.5%. Included in this increase was laboratory and x-ray services, laundry and towel services, utilities, fee basis contultants, and selected Tribal contracts. In FY 1983, an increase of $13,541,000 was requested for increased cost of health care under contracts or grants (including utilities), an overall increase of 8.5%. Included in this increase is $2,940,000 for Alcoholism projects transferred from the National Institute of Alcohol Abuse and Alcoholism (NIAAA) which does not relate to inflation. Inflationary increases included are laboratory and x-ray services, laundry and towel services, utilities, medical consultants, and selected Tribal contracts. As can be seen from the above, the rate of increase for the various types of contractual services has not been unrealistic, and, in fact, has not kept pace with the actual inflation rates.

Question: The justification indicates that these figures include utility costs. What portion of the increase is attributable to utilities?

Answer: The $13,541,000 for "Increased cost of health care under contracts or grants (including utilities)" includes $502,000 for utilities.
Question: In view of the decrease in the cost of gasoline and heating oil, is it possible to adjust these estimates downward?

Answer: No. The President's fiscal year 1983 budget allowed an 8.6 percent rate for utility costs ($502,000). A recent Consumer Price Index report (April 1982) indicated the inflationary rate for fuel and other utilities to now be 9.2 percent.

Alcoholism Programs

Question: The Conference Report accompanying the fiscal year 1982 appropriations bill directed the Indian Health Service to evaluate all of its alcoholism programs. Has such an evaluation been undertaken?

Answer: In response to the congressional mandate, the IHS Office of Alcoholism Programs completed the evaluation in July, 1982. Evaluations have been completed on all 158 IHS funded alcohol service programs. Of the alcoholism programs evaluated, only six were rated below the minimally acceptable level of performance. The IHS is confident that through a concentrated program of technical assistance that will be developed and implemented as a result of the evaluation findings, these six programs can be improved measurably and brought into conformance with acceptable performance standards.

Question: Approximately $20 million will be spent by the Indian Health Service on alcoholism programs in fiscal year 1983, all of which is used for grants and contracts with tribes and groups. Is this the best use of the funds, or might some other approach be useful -- for instance, allowing IHS discretion over a portion of the funds to support research projects dealing specifically with the alarmingly high incidence of alcoholism among Indians?

Answer: In consideration of the present state-of-the-art with respect to Indian alcoholism, the IHS recommends that the total alcoholism dollars continue to be used for contracts with tribes and groups. Although it is entirely conceivable that other approaches may be useful, it is the IHS position that the continued utilization of funding in such a manner will serve to continue to increase our knowledge with respect to Indian alcoholism. We do regard research as a high priority, as well as, the initiation of new and innovative programs especially directed at preventative efforts in combating alcohol abuse among Indian people. We work closely with the National Institute on Alcohol Abuse and Alcoholism which finances extensive research activities in order to identify proper treatment methods as well as the cause of alcoholism.

Contract Care

Question: 130 million, 547 thousand dollars is requested for contract care, an increase of 7 million, 609 thousand dollars above the fiscal year 1982 level. From time to time, we have heard of Medicare and Medicaid fraud on the part of health care providers. What controls does the Indian Health Service employ to detect possible abuses of the system?

Answer: A large proportion of IHS patients and IHS contract providers may also be providers or eligibles under Medicare and Medicaid. Thus the potential for duplicate or erroneous payment exists. However, IHS has implemented a Management Information System which will give us more timely and complete data to minimize these types of payments. Also, IHS thinks it may be cost effective to contract with Medicare fiscal intermediaries to assure a more complete check on Federal health care payments and on the fee schedules under which IHS reimburses. We will explore the feasibility of this concept further with the Health Care Financing Administration and will implement it if feasible.

Question: Medicaid and Medicare currently reimburse only 80 percent of the "Allowable". In view of the stringent budgetary situation facing us, has any thought been given to similarly limiting IHS reimbursement rates paid under the contract care budget?

Answer: Yes. IHS is exploring reimbursing at 100 percent of the Medicare allowable rate which would constitute payment in full for services rendered. GAO has informed the IHS that they cannot determine that any further authorization to pursue this course of action is required by the IHS. IHS is now developing a work plan to implement this concept. We estimate that several millions of dollars a year more medical care could be purchased by IHS utilizing Medicare allowable rates in lieu of our current contracting mode.

Question: IHS pays 100 percent of billed costs. If IHS were limited to paying 100 percent of charges what would be the savings in the contract care account?

Answer: If the IHS was limited to paying the Medicare allowable rate, the estimated savings would run as high as $20 million.

Question: Does IHS employ competitive bidding in awarding contracts?

Answer: IHS has selectively utilized competitive bidding in the past where there was the possibility of getting competition. IHS has recently been ordered by the Department to compete all health service contracts except those for physician consultants. IHS thinks possibly the most effective and efficient method of interfacing with providers is not by the cumbersome competitive contracting route with its inherent high administrative overhead; but by IHS having the authority to reimburse at the Medicare allowable rate and for the Health Care Financing Administration to modify its contracts with Medicare fiscal intermediaries to reimburse IHS authorized contract care. IHS has been working with the General Accounting Office in exploring this option. Given appropriate approvals, IHS will further explore this option.

Question: According to testimony received at the public witness hearings, IHS contracts with over 400 physicians and institutions for the care of the Indians residing in Northern Idaho alone. Furthermore, we are told that as there is no central clearing point, an individual may be seeing several different physicians at the same time, all of whom are being reimbursed by the Indian Health Service.

If these statements are true, it seems that the contract care system is most inefficient.

Answer: The IHS does not contract with over 400 physicians and institutions for the care of the Indians residing in Northern Idaho alone. The IHS has 35 contracts of which 13 are with physicians in the State of Idaho. The Northern Idaho Service Unit utilizes eight of these private physicians located at the St. Joseph Valley Clinic, St. Maries, Idaho.

Question: The Nez Perce Tribe has recommended that the Indian Health Service pick up the funding for two nurse practitioner clinics in Kamiah and Plummer, Idaho, which have been funded by the National Health Service Corps. It is their contention that in many cases, required services could be provided at a lesser cost using the nurse practitioners rather than the regular contract care program. Indeed, they even agreed to request a reduction in the contract care funding in favor of these two clinics. The Indian Health Service has been provided with a copy of their proposal. Have you had an opportunity to review this request to determine its feasibility?

Answer: Since the Nez Perce Tribe made their proposal, the National Health Service Corps has agreed to pay the salaries of the nurse practitioners in Kamiah and Plummer, Idaho. IHS will provide funds for supplies and related expenses.

Beneficiary Population

Question: Last year the Indian Health Service amended its regulations and provided beneficiary status to non-Indian men married to Indian women and to members of their household. This provision has been denounced by many Indian tribes and organizations in that it further erodes the level of services available to the Indian population.

The Fort Hall Reservation, for instance, has 3,109 enrolled tribal members but has a caseload of 10,037 individuals who are eligible for services under IHS guidelines.

As a way of improving services to the traditional beneficiary population of federally-recognized tribes residing on or near reservations and in Oklahoma and Alaska, the Committee may recommend denying beneficiary status to all non-Indians, with the exception of pregnant women who are married to eligible Indians, and also deny benefits to members of non-federally recognized tribes.

What is your position on such a limitation?

Answer: The Administrative Procedure Act governs our review of comments on the NPRM. We can not say, at this time, what the final regulation would provide and it would be inappropriate to comment on other approaches. However, in general the care provided to any non-Indian is provided because of the impact such care would have on an eligible Indian. The same concept would apply to care provided to a pregnant woman carrying an eligible Indian's child and this would not be depended upon whether or not the woman was married to the Indian.

In regard to the data cited above concerning the Ft. Hall Reservation the IHS data indicate a different caseload. These data indicate that service eligible Indians from outside the service unit are insignificant.

According to the Bureau of the Census' Data, IHS estimates there were 3,685 Indians in 1980 residing within the Ft. Hall Service Unit boundaries. Of this, 3,082 lived on the reservation. In fiscal year 1981 there were 23,214 outpatient visits made to the Ft. Hall Clinic, almost 17,000 of which were made by residents of the reservation. Examination of visits by number of different patients seen in fiscal year 1980 and fiscal year 1981 revealed that these 23,000 visits were made by about 4,500 different people. This would indicate that about 821 to 1,424 people seen at Ft. Hall were migrant and seasonal workers and other people passing through the area.

Question: Have regulations been drafted to effect this change? If so, please provide a copy of the suggested language.

Answer: On December 16, 1980, the Secretary published a notice of proposed rulemaking (NPRM) that would make non-Indian husbands of eligible Indians eligible for IHS services on the same basis as non-Indian wives. A copy of this NPRM is provided as Attachment A. It was also proposed to make non-Indians members of an eligible Indian's immediate family eligible. In the latter case eligibility would have been narrowed from the current policy of serving non-Indian members of an eligible Indian's household.

The NPRM explained that pending final regulation, IHS would serve non-Indian husbands residing with an eligible Indian. This was done to avoid discrimination based on sex which we have been advised would be legally indefensible. The current regulation extends eligibility to wives only. Therefore, though IHS has not amended the regulation, it has changed its policy on an interim basis to conform with legal requirements.

Question: If it is possible to estimate the number of individuals who would no longer be eligible for IHS benefits under such a provision, and any attendant cost savings, would you please provide that information for the record.

Answer: We have no estimate of the number and cost of non-Indians who receive IHS care under other authorities. We do have crude estimates for non-Indian husbands of eligible Indians.

In late winter of 1981 each area was canvassed for factual information on the impact of an IHS policy to serve non-Indian husbands of eligible Indians. Ten of 12 area/program offices reported 4,666 non-Indian husbands received services since the interim policy began. The estimated costs was about $1,430,000. These estimates are extremely crude and should be used with extreme care.

Each area/program office was also asked to evaluate the reasons why the impact was not greater. In general, the area/program offices stated the policy was not highly publicized and people were not aware of their eligibility. In addition, some people have alternate sources of care such as health insurance, medicaid, medicare, and their own resources. It was the general consensus that if this policy was retained and people became aware of their eligibility, the impact of this regulation would be significant. The factors which would be attributed to increase are (1) awareness of the new policy; (2) continuation of higher costs of medical care and insurance rate will force people to use IHS services; (3) unemployment will also add an additional number of people who will not be financially able to seek other sources of health care, and (4) catastrophic illness will seek out the IHS rather than alternative sources of care.

Community Health Representatives

Question: No funds are requested for the Community Health Representatives Program in the fiscal year 1983 budget. As it is unlikely that Congress will agree to terminate the program, it might be useful to see if steps can be taken by the Indian Health Service to improve the operation of the CHR program.

Has the Indian Health Service ever made an effort to determine exactly how the CHR should function within your total program and specifically within each service unit.

Answer: The IHS has recently received various congressional requests through oral hearing exchanges and report language regarding the IHS progress in defining the present day CHR program's scope and optimum level of resource need. In addition requests have been made regarding the IHS's progress in assessing and evaluating CHR program activities. We would like to submit at this time for the record a description of the activities being carried out, and some of the approaches currently under consideration by the IHS. This report is Attachment B.

Question: We have heard of instances where the CHR program is used for political patronage. Following election of new tribal officers, there may be an entirely new group hired for the CHR program. If the program is continued, what action will you take to ensure that federal funds are not used in this manner?

Answer: All contracts awarded by IHS are subject to the Federal and Departmental procurement regulations which include regulations pertaining specifically to contracts awarded under the authority of P.L. 93-638 (Indian Self-Determination Act). Included in these regulations are provisions that the contracting officer, while in the process of reviewing Tribal proposals for contracts, must determine that the Tribal personnel policies are acceptable to the government. The Tribal contract must then be monitored to insure that the personnel policies are being implemented in accordance with the contract. The regulations also state that personnel assigned to carry out the performance of the contracts must meet occupational qualification standards which is not less than minimum Civil Service standards. Another clause available for contracts awarded under the authority of P.L. 93-638 states that the contractor agrees to assign named key personnel to the performance of work under the contract and shall not reassign or remove them without the consent of the contracting officer. It also states that the government reserves the right to approve any necessary successor to the personnel so identified. Significant reductions in the resources available for Program Management have resulted in the necessity to implement strict limitations on travel and personnel cost. As a result, reviews of contracts are not conducted as often or as extensively as is desired; however, IHS makes every possible effort to accomplish some reviews of all contracts. All of the above prevents political patronage from becoming a practice.

Question: An audit and evaluation of the Urban Health Programs has recently been completed. Has the CHR program ever been subject to an in-depth audit and evaluation?

Answer: In fiscal year 1981 the IHS received Departmental approval to contract for an in-depth national CHR evaluation. However, funding for the evaluation was eliminated because of budget restrictions. As an alternative the IHS is currently collecting information which will be compiled for the purpose of assessing the overall CHR program and is developing methodologies to better evaluate certain aspects of the programs. (See the above question regarding assessment activities). These activities will constitute an evaluation of the program and can serve as baseline material for a more ambitious review.

Question: The Committee has received a Summary Report of the CHR program dated June, 1982. In that report the CHR review team proposes to hold regional meetings and solicit tribal comments regarding the program rather than conducting an actual evaluation of the CHR programs. Will the Department conduct a true evaluation?

Answer: In the event that funding is made available in fiscal year [illegible] for the continuation of the CHR program, the IHS will implement a more thorough in-depth evaluation of the program.

Urban Health Programs

Question: No funds are requested for the Urban Health programs in fiscal year 1983. What were the findings of the evaluation of these programs?

Answer: The fiscal year 1983 budget request proposes elimination of the Urban Indian Health Program in fiscal year 1983. This program has fulfilled its purpose by providing a demonstration of the value of providing health and referral services for urban Indians in many circumstances. These services may now be funded, as needed, through the Department's health block grants, or other services. The results of the evaluation show that all programs were in compliance with program regulations. Certain specific deficiencies were identified by the evaluation process which can and will be corrected with technical assistance. However, several programs were considered to be outstanding, and all urban programs were found to be serving a major health need of Indian people.

Question: As over 50 percent of the total Indian population now resides in urban areas, it is inconceivable that the Indian Health Service would ever have sufficient resources to provide for the total health care needs of the urban population. Given that, if a decision should be made to continue the program, what function could it best serve?

Answer: If the Urban Health Program was to be continued, it could best serve the urban Indian population by providing direct health care services; maintaining linkages, such as outreach and referral services, with the local health care providers; maintaining preventive health care activities such as well baby clinics, nutrition education, health education, and home health care activities, and; continuing the advocacy role the programs have developed and maintained. In addition, the Urban Health Program could continue the vital role it plays in generating resources from state and local government funding sources, and from the private sector such as corporations, foundations and church groups.

Question: How much would be required to fund those programs which scored an "A" on the evaluation? Those which scored "B", and those which scored "C"?

Answer: The fiscal year 1982 funding levels were as follows:

Group A		Group B		Group C	
Milwaukee	$358,000	Sacramento	$183,000	Bakersfield	$120,000
Tulsa	280,000	Salt Lake City	148,000	Billings	85,000
Wichita	234,000	Santa Barbara	183,000	Dallas	387,000
		Denver	160,000	Great Falls	77,000
		Detroit	183,000	Helena	46,000
		Green Bay	119,000	Miles City	24,000
		Minneapolis	545,000	Missoula	44,000
		Seattle	1,125,000	Oklahoma City	430,000
TOTALS	$872,000		$2,646,000		$1,213,000
GRAND TOTAL		$4,731,000			

Equity Health Care Fund

Question: In fiscal year 1982 Congress reduced the requested increase for the Equity Health Care Fund, but directed the Indian Health Service to reallocate base funds to absorb this reduction. Have you, in fact, reallocated any base funds to make additional money available to those tribes eligible for equity health care funding in fiscal year 1982?

Answer: The amount distributed to tribes eligible for equity health care funding in fiscal year 1982 included $5,636,000 specifically appropriated for the Equity Health Care Fund and $2,000,000 from a redistribution of the base health services program. These funds were distributed to those tribes in Levels IV (61-80 percent resource deficiency) and V (81-100 percent resource deficiency) of the health services priority system reflecting the results of the fiscal year 1982 Resource Requirement Methodology application.

Question: If, in the future, Congress decided that the IHS service population should be the same as that of the Bureau of Indian Affairs, how would that alter your beneficiary population?

Answer: There are three major reasons for the difference between IHS and BIA population counts. First, geographic areas of inclusion are different. Second, the funding scope of the programs are different. Third, the methodology of counting people is different.

If Congress decided the IHS service population should be the same as that of the Bureau of Indian Affairs, this would reduce the potential beneficiary population served by the Indian Health Service. The following table shows the difference state by state.

1980

	IHS Service Population	BIA Population	Difference
Totals	828,609	734,695	-93,914
Alaska	64,047	64,047	0
Arizona	152,857	152,145	-712
California	67,251	19,946	-47,305
Colorado	2,806	2,624	-182
Florida	3,868	1,881	-1,987
Idaho	7,048	6,953	-95
Iowa	1,845	695	-1,150
Kansas	3,019	2,165	-854
Louisiana	622	550	-72
Maine	2,698	2,326	-372
Michigan	8,369	5,551	-2,818
Minnesota	16,866	16,511	-355
Mississippi	4,155	4,914	759
Montana	30,893	27,463	-3,430
Nebraska	3,892	3,097	-795
Nevada	13,304	7,361	-5,943
New Mexico	102,374	106,840 *	4,466
New York	9,718	10,626	908
North Carolina	5,604	5,664	60
North Dakota	16,329	20,044	3,715
Oklahoma	169,464	156,501	-12,963
Oregon	13,124	4,777	-8,347
Pennsylvania	66	-	-66
South Dakota	41,340	41,321	-19
Utah	8,781	6,649	-2,132
Washington	56,003	41,233	-14,770
Wisconsin	17,451	17,106	-345
Wyoming	4,815	5,705	890

* Larger than Census data (104,777)

Construction

Question: No funds are requested for construction activities in the fiscal year 1983 budget. If quarters are not built at Chinle, will you still open the hospital on schedule?

Answer: Yes. The Chinle hospital will open the ambulatory services in August 1982 with the available staff from the Chinle Health Center. As additional housing and staff become available the inpatient services will be provided.

Question: Please provide for the record the status of all construction projects for which planning funds have been provided, but which have not yet received construction funds. Also, indicate the amount required for the first phase of construction for each of the projects.

Answer: Browning Hospital, Browning, Montana
The first phase construction cost estimate and the total construction cost estimate for the project are provided. However, because of the need to manage construction contracts, the Department, in concert with OMB has adopted a policy that funds the entire project rather than an incremental approach. This ensures that future Administrations and Congresses are not obligated to make additional appropriations available to complete a facility. The concept drawings were approved by the Indian Health Service on July 1, 1982. The A/E is preparing the schematic drawings. The amount of funds required for the first phase construction increment is $7,070,000 ($6,660,000 for construction and $390,000 for equipment). The full construction cost is $14,815,000 including moveable equipment.

Crownpoint Hospital, Crownpoint, New Mexico
The first phase construction cost estimate and the total construction cost estimate for the project are provided. However, because of the need to manage construction contracts, the Department, in concert with OMB has adopted a policy that funds the entire project rather than an incremental approach. This ensures that future Administrations and Congresses are not obligated to make additional appropriations available to complete a facility. The Program Information Document (PID) was approved and ROFEC VI is advertising for an A/E. The estimated award date for the design contract is in August 1982. The amount of funds required for the first phase construction increment is $9,280,000 ($8,800,000 for construction and $480,000 for equipment). The full construction cost is $17,835,000 including moveable equipment.

Kanakanak Hospital, Kanakanak, Alaska
The first phase construction cost estimate and the total construction cost estimate for the project are provided. However, because of the need to manage construction contracts, the Department, in concert with OMB has adopted a policy that funds the entire project rather than an incremental approach. This ensures that future Administrations and Congresses are not obligated to make additional appropriations available to complete a facility. An A/E has been selected and the design contract negotiation is underway. The contract is anticipated to be awarded in September 1982. The amount of funds required for the first phase construction increment is $10,200,000 ($9,665,000 for construction and $535,000 for equipment). The full construction cost is $18,205,000 including moveable equipment.

Rosebud Hospital, Rosebud, South Dakota
The first phase construction cost estimate and the total construction cost estimate for the project are provided. However because of the need to manage construction contracts, the Department, in concert with OMB has adopted a policy that funds the entire project rather than an incremental approach. This ensures that future Administrations and Congresses are not obligated to make additional appropriations available to complete a facility. The PID is under Departmental review. On July 16, 1982, PHS requested that the Office of Facilities Engineering (OFE) do a site evaluation for the facility. In Fiscal Year 1982 $1,248,000 was appropriated for design and planning. The tentative estimated amount of funds required for first phase increment is $11,085,000 ($10,525,000 for construction and $560,000 for equipment). Final cost analysis has not been made pending site evaluation and PID approval.

Sacaton Hospital, Sacaton, Arizona
The first phase construction cost estimate and the total construction cost estimate for the project are provided. However, because of the need to manage construction contracts, the Department, in concert with OMB has adopted a policy that funds the entire project rather than an incremental approach. This ensures that future Administrations and Congresses are not obligated to make additional appropriations available to complete a facility. The PID is under Departmental review. On July 16, 1982, PHS requested that OFE do a site evaluation for the facility. In Fiscal Year 1982, $699,000 was appropriated for design and planning. The tentative estimated amount of funds required for the first phase construction increment is $9,260,000 for construction and

$490,000 for equipment. Final cost analysis has not been made pending site evaluation and PID approval.

Anadarko Health Center, Anadarko, Oklahoma
The design is almost complete. A construction contract can be awarded by October 1982. The amount of funds required for construction and equipment is $2,923,000. These funds were appropriated in fiscal year 1982 but proposed for transfer to the IHS appropriation to meet pay raise costs in 1982. If such a transfer is not approved by the Congress, we will proceed expeditiously with construction.

Huerfano Health Center, Huerfano, New Mexico
The design drawings are 80 percent complete. The estimated completion date is October 1982. The amount of funds required for construction and equipment is $3,084,000. These funds were appropriated in fiscal year 1982 but proposed for transfer to the IHS appropriation to meet pay raise costs in 1982. If such a transfer is not approved by the Congress, we will proceed expeditiously with construction.

Tsaile Health Center, Tsaile, Arizona
A delay in the design process was caused by a request to use Inscription House as a standard and the site adapted to Tsaile. The request was reviewed and disapproved by IHS and OFE as not feasible. In addition, a major reorganization in the architectural firm preparing the design contributed to the delay. The estimated completion date for design is November 1982. The amount of funds required for construction and equipment is $3,606,000. These funds were appropriated in fiscal year 1982 but proposed for transfer to the IHS appropriation to meet pay raise costs in 1982. If such a transfer is not approved by the Congress, we will proceed expeditiously with construction.

Colville Health Center, Nespelem, Washington
The design is complete. As a preliminary estimate, the amount of funds required for construction and equipment is $4,900,000.

Chinle Quarters, Chinle, Arizona
An A/E has been selected and the contract was negotiated in June. The contract award is estimated to be August 15, 1982. In fiscal year 1982, $236,000 was appropriated for design. The amount of funds required for construction is $15,511,000 for 179 sets of quarters.

Inscription House Quarters, Inscription House, Arizona
An A/E has been selected and the contract was negotiated in June. The contract award is estimated to be August 15, 1982. In fiscal year 1982, $100,000 was appropriated for design. The amount of funds required for construction is $1,900,000 for 21 sets of quarters.

Question: Two years ago, IHS was provided authority to lease 47 units of staff housing in connection with the Bethel, Alaska hospital. Have those units been built?

Answer: To date, construction of the 47 units of housing has not begun. The Bethel Native Corporation (BNC) has been unable to secure financing for the project.

Question: Where are your staff presently being housed?

Answer: Of the 197 currently authorized staff, 92 are non-local hire. Five staff are providing their own housing and 87 require housing. At present, staff is housed in the 40 units of quarters which were recently constructed. In addition, 41 staff members are housed in the old transient quarters, an eight-plex, three duplexes and various trailers which are expensive to operate.

Question: Federal employees are, of course, charged rent for Government quarters. With respect to the staff housing required for Chinle, Inscription House and Bethel, can you provide us with an analysis of the construction costs and the anticipated rental income from the units so that we can determine how long it takes to pay off the Federal investment in construction of staff housing?

Answer: The rental fee charged is based on rental surveys (with the exception of rental fees to PHS commissioned officers who pay their entire quarters allowance). Rental fees are not directly related to the construction costs. The rental survey considers the local rental costs, construction of the rental unit, nearness to established communities, the consumer price index and other variables in determining the rental charge. The rental charge is evaluated annually for adjustment.

Chinle
The Office of Facilities Engineering (OFE) estimate for design and construction of 179 units of housing at Chinle, Arizona is $15,747,000, which includes $236,000 in planning funds appropriated in FY 1982. The average rental for fee at Chinle is $244 per month. The pay back period at this rate would be 30 years.

Inscription House
The OFE estimate for design and construction of the 21 units at Inscription House, Arizona is $2,000,000, which includes $100,000 in planning funds appropriated in FY 1982 The rental charge has not as yet been determined, but will probably be similar to Chinle's of $244 per month which would have a pay back of 31 years.

Bethel
The OFE estimate for construction of 47 units of quarters is $6,644,000. The average rental fee at Bethel, Alaska is about $750/month for a 1 bedroom apartment. The pay back period would be between 15 and 16 years.

Question: When planning for future construction of hospitals and clinics, might it be reasonable to require availability of housing for staff as one of the criteria when selecting a site for a new facility?

Answer: The Indian Health Service does as a general practice give serious consideration to the availability of housing for staff as one of the criteria for planning future health facilities. This factor, however, must also be carefully weighed with the top priority factors that affect the best location for the health facility like the availability and the accessibility of health services to the largest concentration of the service population, and as close to the center of the unmet need for health care as possible.

Question: Without prior congressional knowledge or consent, the IHS has turned clinics and quarters built with Federal funds over to the tribes and then entered into an agreement to lease back the facilities. Please list all the instances where this has occurred, the cost of the lease, the estimated cost for IHS direct operation of the facility, and the authority under which IHS has entered such arrangements.

Answer: Facilities constructed by an Indian tribe through a grant awarded under the authority of P.L. 93-638 become the property of that Indian tribe. The IHS has occasionally leased such facilities under the authority of Section 704 of P.L. 94-437.

Tribes have obtained title to the following facilities under P.L. 93-638 grants: Poplar, Montana Health Center; Poplar, Montana Staff Quarters; Lodge Grass, Montana Health Center: and Red Lake, Minnesota staff quarters. All except Red Lake, Minnesota staff quarters have been leased to IHS by the tribes at no cost. The lease for the Red Lake, Minnesota staff quarters is currently under negotiation. IHS does provide some operations and services such as utilities, and maintenance and repair. The annual cost of such operations and services are $79,936 for the Poplar, Montana Health Center: $11,200 for the Poplar, Montana Staff Quarters; and $21,600 for the Lodge Grass, Montana Health Center.

Sanitation Facilities

Question: Under a memorandum of agreement with the Department of Housing and Urban Development and the Bureau of Indian Affairs, the Indian Health Service currently has responsibility for the provision of off-site water and sewer services required for new housing construction. No funds are requested to carry out this responsibility in fiscal year 1983.

How many HUD and BIA units are currently under construction for which IHS does not have the resources to provide water and sewer service?

Answer: There are 5,074 new and improved Indian housing units in need of funds for the provision of sanitation facilities. This total includes 4,046 HUD homes and 348 BIA-HIP homes currently under construction.

Question: What would be required in fiscal year 1983 to maintain sanitation construction on schedule with housing construction?

Answer: The IHS has completed Phase I preconstruction activities with the fiscal year 1982 appropriation for 5,074 new and improved Indian housing units initiated in fiscal year 1982. An additional $33.7 million is required by the IHS to construct the sanitation facilities for the 5,074 new and improved Indian homes. The Department of Housing and Urban Development (HUD) is expected to provide $24.6 million for the HUD portion of the additional $33.7 million needed for sanitation facilities. In fiscal year 1983, $22.5 million will be needed to complete the Phase II and Phase III construction on the 5,074 homes. In addition to the $22.5 million needed in fiscal year 1983 to complete construction of the 5074 homes, $18 million will be required for the Phase I preconstruction and the Phase II construction activities for the 4830 new and improved Indian housing units to be initiated in fiscal year 1983; therefore, $40.5 million will be required in fiscal year 1983. The following table indicates the number of new and improved Indian housing units to be initiated in fiscal year 1983 and the IHS fund requirement for the provision of sanitation facilities.

UNITS INITIATED BY HOUSING PROGRAMS IN FY 83
Phase I, II and III
($ x 1,000)

	Units	Cost of Sanitation Facilities
HUD	2,330 1/	$17,475
BIA	1,000	7,500
Tribal/Other	1,000	7,500
Existing	500 2/	2,000
	4,830	$34,475 3/

1/ This assumes the 2,330 HUD funded units in the Indian housing pipeline will commence construction in fiscal year 1983. The number does not include any of the 2,589 units allocated by HUD in fiscal year 1982.

2/ This includes the provision of sanitation facilities to 500 existing Indian homes located on or immediately adjacent to the new housing units and served as part of the projects.

3/ Of this total, $18 million would be required in fiscal year 1983 with the balance for part of Phase II and Phase III deferred until fiscal year 1984, based upon the phased approach of funding sanitation facilities initiated by the Congress 2 years ago.

Pawnee Service Unit in Oklahoma

Question: The Committee directed IHS to report on the operation of the new patient care delivery plan in the Pawnee Service Unit. Has this report been delivered to Congress? If not, when can we expect it.

Answer: The report is still being prepared and will be transmitted to the Department for forwarding to the Congress in the near future.

Question: Has this project succeeded in the objectives to efficient health care delivery? Is it cost effective? How have the Indian people in the Unit received this new plan?

Answer: The term "accessibility" has been used variously to describe the proximity of the health care resources to patients' homes, patients' awareness of the availability of services and the acceptability of available services to them. As indicated by program statistics and survey information, the Pawnee Benefit Package Program (PBPP) is superior to the previous system in making services accessible to the beneficiary population along each of these dimensions. The fact that more than two-thirds of the eligible population is enrolled in the program, for example, is evidence of widespread awareness of service availability.

The benefit package includes services that previously were unavailable to the Pawnee service population, and data on service use indicate that the program is superior to the system it replaces in making services accessible to eligible Indians. Further, a recent study indicates that nine out of ten enrollees and community health care providers demonstrate understanding of the program's benefits and limitations and express clear preference for it over the previous system.

Allowing beneficiaries of the Pawnee Benefit Package program to choose their providers of inpatient and emergency services has the effect of improving geographic access to hospital services. Residents of all counties in the Pawnee Service Unit area live within 20 miles of a community hospital, whereas use of the Pawnee Hospital previously required a 75-mile drive for the majority of IHS patients.

On the basis of its first six months of operations, PBPP appears to be a cost effective alternative to the construction and staffing of a new hospital. Estimates of the replacement cost of the old Pawnee Indian Hospital ranged from $16 million upward plus the addition of approximately 60 positions necessary to staff a new quality health care facility. Furthermore, recurring monthly administrative expenses of IHS are less than those which would have been incurred by contracting directly with a private intermediary. For example, in a proposal to the Osage Nation, Blue Cross and Blue Shield of Oklahoma indicated that its intermediary services would cost $1.14 per month for general office expenses and $7.30 to administer each claim. By the end of September 1981, PBPP has enrolled 7,100 beneficiaries and has processed a total of 3,800 claims. Applying the Blue Cross rates to PBPP enrollment and claims experience the PBPP has proven to be cost effective.

Question: Are there any management initiatives that have been developed through this new concept that could be utilized in other areas of IHS administration?

Answer: Yes. Prototype Contract Health Service Management Information System software was developed by IHS staff in our Oklahoma City Area Office in support of the Pawnee Benefit Package Program. The data processing capabilities of that authorization, provider payment, voucher audit, Treasury tape generation and vendor listings. Data are entered on-site and edited automatically. This system streamlines the previous manual system by eliminating redundant data entry, editing data automatically and transcribing data electronically. This automated system will be expanded over time to include all IHS service units which operate contract health service programs.

The IHS is continuing to explore the feasibility of utilizing a fiscal intermediary. With the assistance of the General Accounting Office (GAO), data has been acquired which indicates use of fiscal intermediaries could save the Federal Government approximately $20 million annually by: (1) reimbursing medical care providers under IHS' contract care program at the Medicare allowable rate; and (2) having the Health Care Financing Administration modify their contracts with their fiscal intermediaries to permit processing authorized contract care payments. The IHS is working with the Department and GAO in exploring this concept further.

Question: Could this demonstration project be used elsewhere? For instance, converting under utilized facilities to ambulatory care and purchasing inpatient care from the private sector.

Answer: Caution should be used in extrapolating the Pawnee experience to other IHS locations, but this transfer of PBPP technology to other IHS locations could probably be feasible on a case by case basis. The availability of high quality inpatient treatment facilities and the receptivity of the service population and of the Congress to experimenting with an alternative approach to health care delivery, for example, created a supportive environment for this demonstration project. Proposals merely to replicate the Pawnee experiment elsewhere should be evaluated critically in light of such factors.

Question: Does this type of health care delivery meet the commitment to the Indian people. Can you recommend it as a partial answer or alternative to constructing and equipping new IHS hospitals?

Answer: Three major factors have contributed to the success of the Pawnee Benefit Package Program: 1) Tribal interest; 2) availability of a good geographical distribution of quality health care providers; and 3) specific congressional funding. Without these three ingredients such a program could not be successful. A Pawnee type program could conceivably be successful in other comparable areas. A guaranteed level of medical services for eligible Indian people, however, would greatly improve the health status of Indians and Alaska Natives. The Indian Health Care Improvement Act addressed this issue and indicated the intent of the Congress to attain such a goal.

Six months operating obviously is too short a period on which to base sound conclusions regarding the program. Despite preliminary information from this six months experience which suggests the viability of PBPP as an alternative to prevailing approaches to health care delivery, such a conclusion should be based only on a thorough evaluation of an extended operation of two to three years.

Attachment A

(From the Federal Register, Tues., Dec. 16, 1980)

DEPARTMENT OF HEALTH AND
HUMAN SERVICES

Public Health Service

42 CFR Part 35

Indian Health; Persons To Whom Services Will Be Provided

AGENCY: Department of Health and Human Services.

ACTION: Notice of proposed rulemaking.

SUMMARY: This notice proposes two changes in current regulations (42 CFR 36.12) governing who will be considered eligible for services from the Indian Health Service (IHS)—

1. A "common sense" revision of format;

2. A substantive change in the eligibility of non-Indians for health services. This latter change would expand eligibility to include the non-Indian spouse (husband or wife) of an eligible Indian residing in the Indian's household instead of only the non-Indian wife. In addition, the proposal would include in limited cases other non-Indians residing in the household of an eligible Indian, and the non-Indian surviving spouse who continues to live in the Indian community and does not remarry an ineligible person.

DATES: Comments on the proposed rule must be received on or before February 17, 1981. In addition, public meetings will be held in each of the IHS areas at which the public will be invited to express their views. These public meetings will be advertised locally and held during the period from the date of publication of this notice to February 17, 1981.

ADDRESS: Address written comments to: Mr. Richard J. McCloskey, Indian Health Service, Room 6A-20, 5600 Fishers Lane, Rockville, Maryland 20857. Comments will be available for public inspection at this address from 8:30 a.m. to 5:00 p.m. beginning approximately 2 weeks after publication of this notice. The public meetings will be held at times and locations which will be announced by the local IHS Area or Program Office.

FOR FURTHER INFORMATION CONTACT: Richard J. McCloskey, Indian Health Service, 5600 Fishers Lane, Rockville, Maryland 20857, Telephone (301) 443-1116.

SUPPLEMENTARY INFORMATION: Except in emergencies or by special statutory provision, non-Indians may be served by the IHS only as an adjunct to carrying out the statutory authority to conserve the health of Indians (25 USC 13 (Snyder Act) and 42 USC 2001 (Transfer Act)). Serving non-Indians under this authority is justified in those situations where the health of the non-Indian is so closely interrelated with the health of Indian persons that serving the non-Indian may be reasonably viewed as furthering the statutory purpose of conserving the health of Indians.

The current regulation published in 1956 extends eligibility to the non-Indian wife of an eligible Indian on the basis that her health is integral to the health of the rest of the family. In addition, an IHS manual provision specifies that non-Indian dependent members of an Indian's household are eligible for services. In practice, the IHS has served non-Indian stepchildren and adopted children of an eligible Indian under that provision.

The proposed amendment would update the regulation to eliminate discrimination based on sex and to include certain members of an eligible Indian's household. Under the proposal, the non-Indian spouse (husband or wife) of an eligible Indian residing in the Indian's household will be considered eligible. Also, under the proposal other non-Indian members of the Indian's immediate family who are residing with the Indian—that is stepchildren, adopted children, and the separated or divorced parent in the case of an Indian child—would be served because their health may be presumed closely related to the health of the Indian(s) in the family. Serving them may be reasonably viewed as furthering the statutory purpose of conserving the health of Indians.

Beyond the immediate family (mother, father and children), the proposed regulation does not attempt to specify other non-Indians residing in an eligible Indian's household who will be considered eligible. Instead the proposed regulation requires that the

IHS medical officer in charge will determine if providing services to the non-Indian is necessary to conserving the health of Indians in that household. For example, the medical officer in charge might determine that serving a non-Indian will prevent the spread of communicable disease in the household or that serving a non-Indian may be essential to maintaining adequate child care in the household.

We do not propose using financial dependency as the criteria for eligibility. The IHS Manual (§ 2-1.2) in describing persons to whom services may be provided refers to non-Indian dependents of an eligible Indian residing in the Indian's household, but in practice this has meant only stepchildren and adopted children. No financial dependency test has been applied, nor would it be administratively feasible for the IHS to adopt such a test.

The proposed amendment also specifically extends eligibility for services to the non-Indian surviving spouse of an eligibile Indian who continues to live in the Indian community served and who has not remarried an ineligible person. This is in accord with a longstanding IHS practice to interpret the term "non-Indian wives" in the current regulation as including surviving wives in the above circumstances. Once again, we believe that there is a sufficient connection between the proposed policy and the statutory purpose of conserving the health of the Indians.

The proposed amendment also constitutes a "common sense" revision of the format of 42 CFR 36.12 as part of the Department of Health and Human Services (HHS) response to Executive Order No. 12044, "Improving Government Regulations." The HHS program is known as "Operation Common Sense" and has the goal of improving the clarity of the language used in regulations. No substantive change with respect to the eligibility of Indians for IHS services is made or intended.

Pending issuance of final regulations, the IHS will consider the non-Indian husband of an eligible Indian residing with the Indian as eligible for services despite exclusion of non-Indian husbands under the current regulation. This course of action will avoid discrimination based on sex pending issuance of the final rule.

The Office of Management and Budget (OMB) Circular A-95, Evaluation, Review, and Coordination of Federal and Federally Assisted Programs and Projects, is not applicable to this notice.

Dated: October 30, 1980.

Julius B. Richmond,

Assistant Secretary for Health.

Approved: December 8, 1980.

Patricia Roberts Harris,

Secretary.

Title 42, Subpart B, Part 36, paragraphs (a) § 36.12, Code of Federal Regulations is revised to read as follows:

§ 36.12 Person to whom services will be provided.

(a) *Eligibility.* (1) You are eligible for available services, as medically indicated, if you are of Indian descent and belong to the Indian community served by the local facilities and program.

(i) Generally, an individual may be regarded as within the scope of the Indian health and medical service program if he/she is regarded as an Indian by the community in which he/she lives as evidenced by such factors as: tribal membership, enrollment, residence on tax-exempt land, ownership of restricted property; active participation in tribal affairs; or other relevant factors in keeping with general Bureau of Indian Affairs practices in the jurisdiction.

(ii) In case of doubt as to whether an individual applying for care is within the scope of the program, the Medical Officer in Charge shall obtain from the appropriate Bureau of Indian Affairs officials in the jurisdiction information pertinent to his determination of the individual's continuing relationship to the Indian population group served by the local program.

(2) You are eligible for available services, as medically indicated, if you are (a) the non-Indian spouse of an eligible Indian and reside in the household of that eligible Indian; or (b) you are a non-Indian member of an eligible Indian's immediate family and reside in the household of that eligible Indian; or (c) you are the surviving non-Indian spouse of an eligible Indian and you continue to live in the community served by the local facilities and program and have not remarried a non-eligible individual.

(3) You may be eligible for available services, as medically indicated if you are a non-Indian residing in an eligible Indian's household and a medical

determination is made by the Medical Officer in Charge that providing necessary services to you will aid in conserving the health of Indian(s) in that household. The determination will be a professional judgment based upon the individual circumstances of each case.

(b) *Emergency situations.* If the applicant's condition is such that immediate care and treatment are necessary, services shall be provided pending determination of eligibility.

(c) *Priorities for care and treatment among eligible individuals who are within the scope of the program.* When funds, facilities, or personnel are insufficient to provide the indicated volume of services, priorities for care and treatment between eligible individuals will be determined on the basis of:

(1) Their relative medical need, and;

(2) Their access to other arrangements for obtaining the necessary care.

[FR Doc. [illegible] Filed 12-15-[illegible] 8:45 am]

BILLING CODE 4110-84-M

ATTACHMENT B

Description of CHR "Evaluation" Activities and Approaches

Background:

In order to develop an "evaluation" approach for the CHR program, the IHS reviewed the history and development of the program over its 13 years of existence. A report was developed in 1980 based on this review. This report clearly indicated the varying and broad scope of health services delivered by local tribal governments. These services ranged from preventive outreach to direct patient care in both field and hospital settings. The variation among services came about primarily because the local tribal government was given the responsibility to identify their specific community health care needs and develop CHR programs which would most effectively address their priority health care needs.

The CHR program was purposely designed with maximum flexibility in concert with the principles of self determination. As such "evaluation" consisted primarily of assessing contract compliance of each local CHR program. Such compliance was acceptable but, as noted, program scope was unlimited and variations were predominate. These factors contributed greatly to the sensitivity and success of local programs but rendered "evaluation" at the national level exceedingly difficult to conduct, especially as concerns need and equity.

Approach:

To respond to the Congress and attempt to "evaluate the CHR program on the national level the IHS chose an approach that includes three major elements:

1. Scope of the CHR Program

   a. Describe the intended scope and activities of the program in 1968 along with the current scope, which reflects the growth and evolution occurring over the years.

   b. Develop a measure which would assess how each program falls within an identified acceptable program scope.

2. Effectiveness of the CHR Program:

   Assess the CHR proram in improving health status and the cost effectiveness of health service delivery.

3. Need for CHR Services Among Tribal Groups and the Equity of the Distribution of CHR Resources

   Assess the need for community health services in tribal communities and determine how equitably that need is being met through utilization of CHR resources.

   This report addresses each of the elements separately:

1. Scope of the Program

   a. Description of the program scope historically and currently.

   Each tribal CHR program has historically been allowed broad flexibility in meeting priority health care needs. Tribal CHR program management was based on a decentralized approach. This led to a number of differences in the development and scope of individual programs depending on the perceived needs of the communities served. This variance among CHR program services and the methods of service delivery has raised questions concerning the appropriateness of and relative priority of certain services.

In order to address this issue the IHS established a Task Force made up of representatives from national Indian organizations and of IHS leadership. A major focus of this Task Force is to reach a consensus as to the "present" intended scope of the program and develop a methodology for assessing the degree of congruence of individual CHR programs. Since from its inception the intended program scopes of CHR programs have been locally defined, every effort is being made to keep tribal communities involved in the Task Force deliberations through the review and comment process.

The Task Force has met twice and has reached general concensus as to the intended scope of the program. The Task Force feels that to date individual CHR programs have basically compiled within the broad national directives that have been in existence to guide CHR program activities.

From the Task Force meetings, a proposed CHR program "definition" has been established through development of agreed upon specific functions and activities. Appendix A presents specific acceptable health areas, functions and settings in which CHR program activities can be carried out and defines the scope of the program.

b. Assessing the Scope of Individual Programs:

The Task Force has also acted as an advisory body to the IHS in developing plans for assessing individual CHR programs activities as they compare to the overall program "definition". The assessment is under way and will be completed by October 1, 1982. Based upon the findings of this assessment, individual CHR program scopes could be readjusted if necessary.

2. Effectiveness of the CHR program

Much subjective, and some objective evidence, tends to substantiate the effectiveness of the CHR program in preventing morbidity and mortality, having a positive effect on health status and diminishing the cost of curative and rehabilitative services. These examples have been provided as part of previous reports. Specific "proof" of the CHR program's cost effectiveness and its contribution to improving health status requires extensive evaluation and applied research. The Task Force outlined approaches and areas where the CHR program could be expected to impact cost effectiveness. The IHS is considering these approaches. To acquire such evidence would necessitate long range research studies. The Task Force has discussed such posssible studies and the IHS will consider them for further evaluation and research endeavors.

3. Need for CHR Services Among Tribal Groups and the Equity of the Distribution of CHR Resources

Each CHR program is an integral part of the comprehensive community health care effort of each American Indian and Alaska

Native population. In addition to the CHR program, other tribal, IHS, state and Federal resources are utilized to address community health care needs. Such community health care efforts are associated with health prevention, promotion, protection and education as well as activities to improve access to and appropriate utilization of clinical health services.

Utilizing Tribal Specific Health Plans and the IHS Resource Requirement Methodology (RRM), a determination was made of each tribe's total community health need* and the percentage of that need met by the various sources (including the CHR Program), assisting each Indian and Alaska Native community. (See Appendix B).

This information represents a rough estimate of the relative community health care needs of each population and the degree to which equity exists in meeting these needs. Although such an approach may be useful for allocating additional program resources in an attempt to equitably address unmet need, extreme caution must be exercised.

Although the IHS RRM system attempts to measure "equity of access" and "utilization" of "needed" services, it in actuality often fails to do so because of the inability to validly and reliably consider all--or most--factors that significantly influence such a measure. A few of these factors include: environmental, cultural, educational, climatic, lifestyle, language and social barriers; disease prevalence, incidence and severity; genetic, demographic, epidemiological, economic, and health status indicies; and financial and geographic access determinants, including the relative cost and quality of health service delivery and availability of third-party financing. Such factors differ greatly from community to community and individual to individual and can change rapidly over time. It is extremely presumptious to expect any current methodology to accurately portray "equity". Even if this was possible, factors can change so quickly that today's assessment might be grossly inaccurate by the time it is compiled nationally and applied. This is not to argue against the future development and refinement of "needs based ranking systems" but to emphasize that presently they are so crude and imprecise--and the results of their application can change so rapidly and significantly over time--that perhaps at this time they should only be utilized by health professional managers as one possible indicator of equity to be balanced against other factors.

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* Footnote: For the purpose of this exercise, community health service was defined to include the following budget activities: Community Health Nursing, Public Health Nutrition, Environmental Services, Mental Health, Social Services, Health Education, Outreach, Community Health Practitioner, Community Alcohol Programs, and Emergency Medical Services.

The problem is further complicated by the fact that the CHR mission is broad with multiple objectives which vary from program to program. This allows great flexibility as to the priorities of--and services delivered by--each individual program. Although this no doubt leads to most responsive and effective programs, it makes "equity" comparisons exceedingly difficult, i.e., the "apples" and "oranges" dilemma. How does the need for a school health educator compare to the need for two EMTs?

Furthermore, it should be noted that the CHR program is only a "part" of the total community health effort. Its resources are frequently not readily interchangeable with other "parts" of the community health effort, often controlled by different administrative foci. Rapid alterations in the CHR Program, or any of the other community health programs, could result in serious imbalance and loss of effectiveness. In other words the loss of three CHRs may render an IHS Public Health Nurse virtually impotent with no "field workers" to carry out a cooperative program.

Nevertheless Appendix B displays the relative community health need (and unmet need) of each community and how such unmet need compares to the "average" unmet health need of all communities as well as the overall unmet need. Difference from the average or overall rates are noted in percentage points as crude indicators of equity status. Also displayed is the amount and percentage of the total community health resources contributed by the CHR program within each community. This is included to indicate how much of an impact alterations in the CHR program will have on the total community health effort, a reflection of how much the CHR program contributes to the total effort.

Utilizing 1979 data as an example, the overall community health service percent unmet need was 64% ($154,300,000/7,499 positions) and the average percent unmet need among tribes was 55%. The range of values among tribes varied from a (-) 360% to a 100% unmet need. The range among tribes of the difference between a specific tribe's percent unmet need and the overall and average percent unmet need were (-)424 - (+)36 and (-)415 - (+)45 percentage points, respectively. Two thirds of tribes fell within 30 percentage points of the average and overall rates. CHRs contributed an average of 39% to the total community health service resources with a value range of 0% to 100%.

The data presented in Appendix B is for illustrative purposes only and is based upon a 1982 application of RRM utilizing 1979 data. Since 1979 marked changes have occurred in IHS and tribal health programs because of major resource constraints and funding shifts. Many of the tribes showing large percents of unmet need have received equity funds since 1979. Moreover many tribes with no CHR program in 1979 became operational since that date. On the other hand since 1979 there have been large reductions in the CHR program and severe curtailments in IHS and tribal community health programs as a result of resource constraints. In our estimation these changes noted have probably narrowed considerably the differences between tribes relative to their percent of unmet community health need. Before any further distribution of resources is contemplated utilizing a methodology such as presented, the need and resource data must be verified at the field level.

Large percent deviations from the average must be examined with extreme caution for several reasons. First many of the tribes showing such deviations are extremely small such that an addition of one or two positions could shift a tribe from 100% unmet need to a (-) 100% with a relatively small increase in resources. Secondly many newly recognized groups will usually display a large amount of unmet need until they begin to receive IHS resources. As noted above this factor probably accounts for many of the large deriviations from the average because of the use of data collected prior to the distribution of equity and CHR funds to many such tribes.

From this information one can ascertain the overall, average and range of the percent of unmet community health need of tribes and a relative determination of how each tribes compares to the overall and average unmet need. This is an extremely crude indication of "equity" but can be utilized as a means for future resource distribution. For instance any increases in CHR resources could be directed toward those tribes displaying the greatest percent (+) community health serivces unmet need. The exact methodology or formula for accomplishing this is not presented for there are several options depending upon the magnitude and speed by which "equity" is to be approached. However such methodologies are not complex and presently one such methodology is utilized to distribute equity health care funds. IHS feels it is preferable to approach equity in an incremental phased approach over a 5 or so year time period in order to avoid severe program disruption and because of the limitations inherent in any needs-based ranking system.

APPENDIX A

Community Health Representative (CHR)
Definition/Scope

The Community Health Representative Program was implemented to improve the health knowledge, attitudes and practices of Indian people by promoting, supporting, and assisting the Indian Health Service in delivery of a total health care program. The efforts of the CHR program have resulted in a tribal health delivery system which provides for a continuation and means of contact for health care at the community level which meets the most basic needs of the Indian population.

Accordingly, the purpose and goal of the Indian and Alaska Native Community Health Representative (CHR) Program is to address health care needs through the provision of specific community and individual services including traditional native concepts in multiple settings utilizing community-based, well-trained, medically-guided health workers.

Health Care Delivery Functions, Areas and Settings for the CHR program have been developed from work of the current National Task Force which has been convened for the purpose of providing oversight of CHR program evaluation and direction. The purpose of listing these functions, areas and settings for the delivery of medical and health care by the program is to provide a clear objective statement of the substantive content and parameters of the National program. It has been traditionally recognized that individual tribal and Alaska Native organization CHR programs may choose to place emphasis on various specific functions, areas and settings for the conduct of their own programs according to their specific needs. This activity is deemed appropriate by the IHS and indeed is seen as a unique essence of the CHR program. Simultaniously it is felt that all CHR programs should be conducted within parameters of the stated program functions, areas and settings. This section contains a listing, including operating definitions, for the six health care delivery functions, six areas and three settings which have been delineated for the program.

HEALTH CARE FUNCTIONS

PROVISION OF HEALTH CARE THROUGH THE CONDUCT OF CONSULTATION AND EDUCATIONAL SERVICES:

Provision of adequate information and assistance for creating opportunities to develop skills which will allow individuals to participate in their own preventive and curative care. This includes discussions directed toward helping individuals understand the consequences of their behavior on the cause and prevention of disease.

PROVISION OF PATIENT CARE THROUGH THE CONDUCT OF DIAGNOSTIC AND THERAPEUTIC SERVICES:

Evaluation and/or assessment of physical or mental conditions to identify the nature and severity of illness, including screening and early casefinding and determination and/or oversight of plans for the management of disease, including follow-up and rehabilitation activity.

PROVISION OF CARE THROUGH THE RESOLUTION OF PHYSICAL, ECONOMICAL AND CROSS CULTURAL INCUMBENCIES:

Facilitation of access to health and medical care through advocacy, interpretation, translation, transportation and other activities which reduce incumbencies to care.

PROVISION OF ENVIRONMENTAL PROTECTION THROUGH CONDUCT OF SURVEILLANCE AND CONTROL SERVICES:

Protection of health and elimination of illness by the surveillance and control of those elements in the environment such as; food, water, sewage, and air which are known to cause disease.

ATTAINMENT OF HUMAN RELATIONS, HEALTH AND MEDICAL CARE SKILLS AND KNOWLEDGE FOR PROGRAM STAFF

Participation in continuous education and training courses for the purpose of maintaining and developing health and medical care delivery skills and knowledge.

PROVISION OF PROGRAM ADMINISTRATION RESOURCES THROUGH THE CONDUCT OF PLANNING, PERSONNEL MANAGEMENT AND FINANCIAL MANAGEMENT:

Administration of program to make effective, efficient and appropriate distribution of people, funds and supplies in order to meet the objectives of the program and accomplish its functions.

HEALTH CARE AREAS

MEDICAL CARE:

Screening, diagnosis and treatment of physical conditions, as well as assistance in maintaining health status.

DENTAL CARE:

Screening, diagnosis and treatment of conditions of the mouth, primarily teeth and gums, as well as assistance in maintaining dental health status.

GERENTOLOGICAL HEALTH CARE:

Medical care, education and social services necessary to maintain the health of the elderly.

MATERNAL AND CHILD HEALTH CARE:

Medical care, education and social services necessary for the health of mothers and children from pregnancy through early infancy.

MENTAL HEALTH CARE:

Diagnosis, treatment and rehabilitative services, mental diseases, including social, emotional and psychological supportive care.

ENVIRONMENTAL HEALTH:

Health care service in relation to food, water, sewage and waste disposal, air and other elements of the physical environment which influence disease.

HEALTH CARE SETTINGS

HOME:

Location which is the usual place of residence for individuals and families.

HOSPITAL AND CLINIC:

Location which is staffed by medical and health care personnel and diagnostic and therapeutic equipment and supplies for the provision of care on an inpatient or outpatient basis.

COMMUNITY:

All locations at which care or assistance is provided or program administration activities are conducted which are not in the homes or hospitals and clinics.

APPENDIX B

Need for CHR Services Among Tribal Groups and the Equity of the Distribution of CHR Resources.

Introduction: Each CHR program is an integral part of the comprehensive community health care effort of each American Indian and Alaska Native population. In addition to the CHR program, other tribal, IHS, state and Federal resources are utilized to address community health care needs. Such community health care efforts are associated with health prevention, promotion, protection and education as well as activities to improve access to and appropriate utilization of clinical health services.

CHRs are a community health resource. As such they are utilized to perform a myriad of community health functions and activities in many health areas and locations. (See Appendix A). To a large extent, therefore, it is of little value to attempt to quantitate the "need" for CHRs per se, since this merely indirectly reflects the total community health need. CHRs are directed by tribal authorities to fill the most pressing gaps that exist in the delivery of community heath services (CHS). For instance if such "gaps" are large and multiple-and are not being addressed by other community health resources-the need for CHRs-or other resources-is great. The "mix" of community health resources to address the "need" varies from community to community depending upon the nature of that need, cultural and management factors influencing the best delivery approach and the availability of various categories of providers.

Utilizing Tribal Specific Health Plans and the IHS Resource Requirement Methodology (RRM), a determination was made of each tribes total community health needs and the percentage of that need met by the various sources (including the CHR Program), assisting each Indian and Alaska Native community.

This information represents a rough estimate of the relative community health care needs of each population and the degree to which equity exists in meeting these needs. Although such an approach may be useful for allocating additional program resources in an attempt to equitably address unmet need, extreme caution must be exercised.

Methodology: Present below is a sample of tables utilized to depict the relative community health "need" of each tribal community (or in some instance service unit) and the percent of unmet need that exists. Also illustrated are the CHR resources provided each tribal community and the percent of community health resources provided by CHR programs. Finally, there is a relative display of how each tribe's percent of community health unmet needs compares with the average and overall percent unmet community health need of all tribes. To be specific:

Column A - This column lists the total amount of community health service need of a community utilizing Tribal Specific Health Plan/RRM determinations. From the RRM methodology "community health service" (CHS) was defined to include the following budget activities: Community Health Nursing, Public Health Nutrition, Environmental Services, Mental Health, Social Services, Health Education, Outreach, Community Health Practitioner, Community Alcohol Programs, Emergency Medical Service. The resource needs represented in each of these categories are simply summed to arrive at the total community health need.

Column B - This column depicts the total community health resources available and the individual amounts supplied by IHS directly vs. tribal and other sources. (From RRM).

Column C - This column represents the amount of Community Health Services' unmet need. It is the result of subtracting Column B from Column A.

Column D - Column D is the percent of unmet need. It is the result of dividing Column C (unmet need) by Column A (total need).

Column E - Column E is a relative display of the difference between each tribe's percent unmet need and the average and overall unmet need of all tribes. An "average" is derived by summing the "percent" unmet need of each tribe and dividing by the total number of tribes to obtain an "average" percent unmet need. This "average" is subtracted from the percent unmet need of each tribe to serve as a relative display of the difference (in percentage points) between each tribe's percent unmet need and the average. A positive (+) number indicates the tribe has more than the average percent unmet need, while a negative (-) indicates a tribe has less than the average percent unmet need. A negative figure does not mean a tribe has no unmet need, simply that its unmet health need is relatively less than the average percent unmet need. The first entry in Column E is a relative comparison among tribes and not a reflection of how each tribe compares to the overall percent of unmet need. A similar determination is made (for dollars only) to display the differences between each tribe's percent unmet need and the overall percent unmet need. This is reflected in the second entry in Column E. This latter determination is the preferred method to utilize for resource distribution.

Column F - This column lists CHR resources and positions by tribe.

Column G - This column is a display of the percentage of community health resources (Column B) that are supplied by the CHR program (Column F). It is derived by dividing Column F by the total in Column B. It is presented primarily to illustrate that the impact upon each community of alterations in the CHR program is not the same. Some communities depend relatively much more on the CHR program for community health resources than do others.

Need and resources are displayed in dollars and the figures in parenthesis depict the positions corresponding to these dollars.

From this information one can ascertain the overall, average and range of percent of unmet community health need of tribes and a relative determination of how each tribe compares to the overall and average unmet need. This is an extremely crude indication of "equity" but can be utilized as a means for future resources distribution. For instance any increases in CHR resources could be directed toward those tribes displaying the greatest percent (+) community health serivces unmet need. The exact methodology or formula for accomplishing this is not presented for there are several options depending upon the magnitude and speed by which "equity" is to be approached., However such methodologies are not complex and presently one such methodology is utilized to distribute equity health care funds. The IHS feels it is preferable to approach equity in an incremental phased approach over a 5 or so year time period in order to avoid severe program disruption and because of the limitations inherent in any needs based ranking system (see below).

Limitations/Discussions: Limitations in the utilization of the approach illustrated fall in two major areas:

Limitations in Data Presented - The data presented herein is for illustrative purposes only and is based upon a 1982 application of RRM utilizing 1979 data. Since 1979 marked changes have occurred in IHS and tribal health programs because of major resource constraints and funding shifts. Many of the tribes showing large percentages of unmet need have received equity funds since 1979. Moreover many tribes with no CHR program in 1979 became operational since that date. On the other hand since 1979 there have been large reductions in the CHR program and severe curtailments in IHS and tribal community health programs as a result of resource constraints. In our estimation these changes noted have probably narrowed considerably the differences between tribes relative to their percent of unmet community health need. Before any further distribution of resources is contemplated utilizing a methodology such as presented, the need and resource data must be verified at the field level.

Limitations in Methodology - Large percent deviations from the average must be examined with extreme caution for several reasons. First many of the tribes showing such deviations are extremely small such that an addition of one or two positions could shift a tribe from 100% unmet need to a (-) 100% with a relatively small increase in resources. Secondly, many newly recognized groups will usually display a large amount of unmet need until they begin to receive IHS resources. As noted above this factor probably accounts for many of the large deviations from the average because of the use of data collected prior to the distribution of equity and CHR funds to many such tribes. Thirdly, in application of the RRM methodology it is apparent that in some cases community health resources are displayed by both "service unit" and individual tribes or communities within the service unit. No doubt in such cases each tribal community has clearly identified community health resources but also shares in the overall community health resources provided by a service unit hospital or clinic. In such cases the amount of these overall service unit resources consumed by each tribal community will need to be allocated to each community if equity among tribal communities is to be validly assessed.

Finally, although the IHS RRM system attempts to measure "equity of "access" and "utilization" of "needed" services, it in actuality often fails to do so because of the inability to validly and reliably consider all--or most--factors that significantly influence such a measure. A few of these factors include: environmental, cultural, educational, climatic, lifestyle, language and social barriers; disease prevalence, incidence and severity; genetic, demographic, epidemiological, economic, and health status indicies; and financial and geographic access determinants, including the relative cost and quality of health service delivery and availability of third-party financing. Such factors differ greatly from community to community and individual to individual and can change rapidly over time. It is extremely presumptious to expect any current methodology to accurately portray "equity". Even if this was possible, factors can change so quickly that today's assessment might be grossly inaccurate by the time it is compiled nationally and applied. This is not to argue against the future development and refinement of "needs based ranking systems" but to emphasize that presently they are so crude and imprecise--and the results of their application can change so rapidly and significantly over time--that perhaps at this time they should only be utilized by health professional managers as one possible indicator of equity to be balanced against other factors.

The problem is further complicated by the fact that the CHR mission is broad with multiple objectives which vary from program to program. This allows great flexibility as to the priorities of--and services delivered by--each individual program. Although this no doubt leads to most responsive and effective programs, it makes "equity" comparisons exceedingly difficult, i.e., the "apples" and "oranges" dilemma. How does the need for a school health educator compare to the need for two EMTs?

Furthermore, it should be noted that the CHR program is only a "part" of the total community health effort. Its resources are frequently not readily interchangeable with other "parts" of the community health effort, often controlled by different administrative foci. Rapid alterations in the CHR Program, or any of the other community health programs, could result in serious imbalance and loss of effectiveness. In other words the loss of three CHRs may render an IHS Public Health Nurse virtually impotent with no "field workers" to carry out a cooperative program.

Results:

Cognizant of the limitations noted the following results are presented for illustration purposes:

Summary Table #1

Total Tribes/Service Unit/Groups Analyzed 246

Total Amt. Community Health Services (CHS) Need .... $242,935,000 *(11,853)

Total Amt. Unmet CHS Need $154,300,000 (74,99)

Total Amt. CHS Unmet Need as
Percentage of Total Need 64% (63%)
(Overall Percent Unmet Need)

Average and Range of Community Health Average - 39%
Service Resources provided by CHR programs .... Range - 0%-100%

Summary Table #2

Range of Percent of Unmet Need
of Tribes Analyzed .... (-)360% - 100% [(-)457% - 100%]

Average Percent of Unmet Need of
Tribes Analyzed 55% (53%)

Range of Percentage Point Deviation
of Tribes from the Average Percent
Unmet Need (Dollars Only) .... (-)415 - 45 Percentage Pts.

Range of Percentage Point Deviation
of Tribes from Overall Percent
Unmet Need (Dollars Only) .... (-)424 - 36 Percentage Pts.

(+ = greater than average unmet need)
(- = less than average unmet need)

Summary Table #3

% of Tribes falling within 10 percentage points of average
percent unmet need (dollars) 27%

% of Tribes falling within 20 percentage points of average
percent unmet need (dollars) 52%

% of Tribes falling within 30 percentage points of average
percent unmet need (dollars) 66%

% of Tribes falling within 10 percentage points of overall
percent unmet need (dollars) 26%

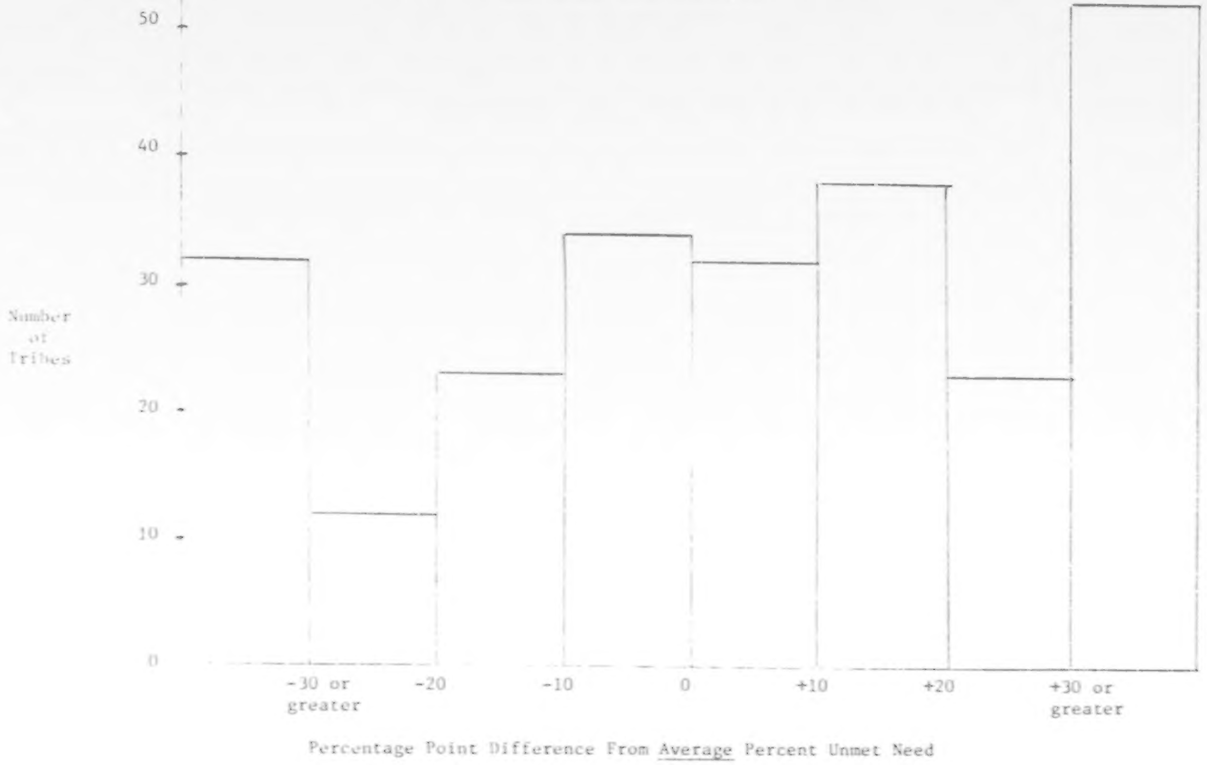
% of Tribes falling within 20 percentage points of overall
percent unmet need (dollars) 50%

% of Tribes falling within 30 percentage points of overall
percent unmet need (dollars) 66%

Footnote: Positions figures in Parenthesis.

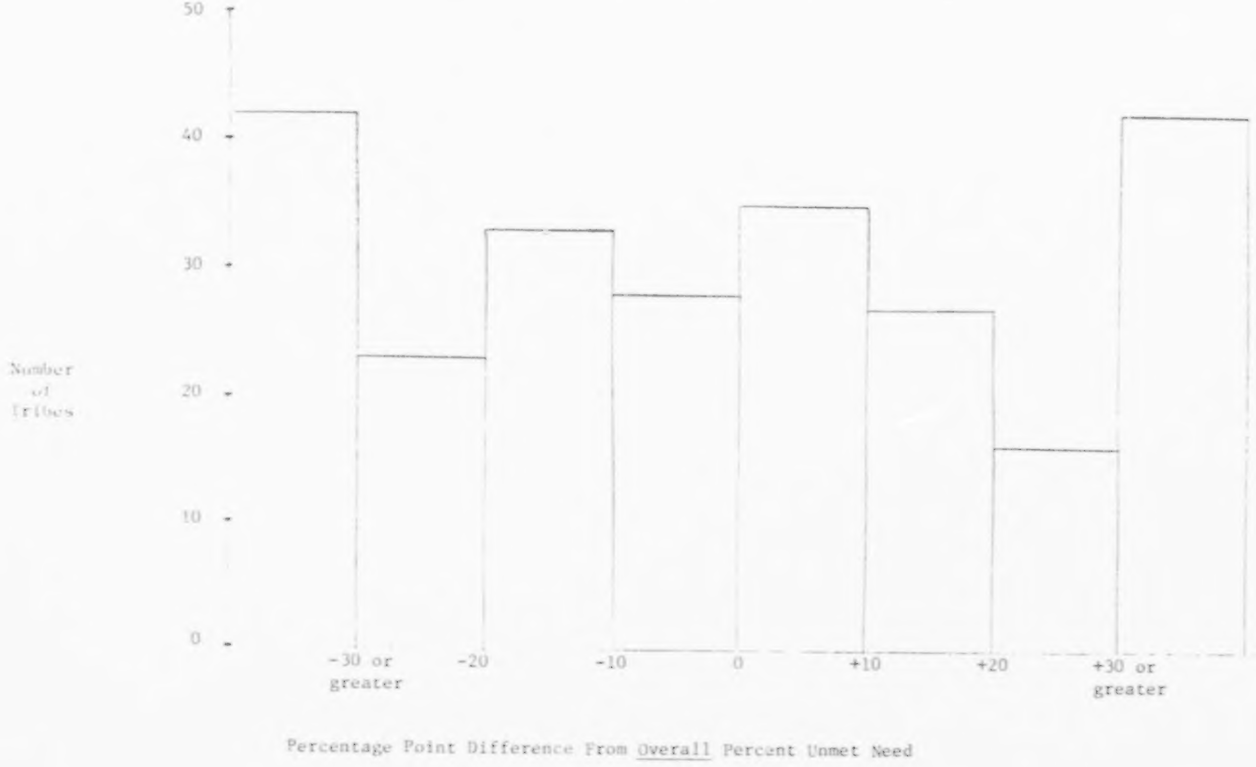
SUMMARY TABLE NO. 4

Distribution by Tribes of Percentage Point Difference Between Tribal Percent Unmet Community Health Service Need and AVERAGE Percent Unmet Need (Dollars)



SUMMARY TABLE NO. 5

Distribution by Tribes of Percentage Point Difference Between
Tribal Percent Unmet Community Health Service Need and
OVERALL Percent Unmet Need (Dollars)



S-A-M-P-L-E

COMMUNITY HEALTH SERVICES
NEED/RESOURCES

Dollars in (000)
Positions in Parenthesis
(-) = Amount Over Need

	A	B	C	D	E		F	G (F/B Total)
TRIBE	*Total Community Health Service Need	Current Community Health Resources IHS Direct/ Tribal & Other Incl. CHR/ Total	Amount Unmet Need	Percent Unmet Need	Difference Between Tribal % Unmet Need & Avg./Overall % Unmet Need (in percentage points) Avg./Overall	Avg./Pos.	Est. 1982 CHR Budget	% of Comm. Resources Provided by CHR programs
Cheyenne River Sioux	$1,655 (85)	$250 (10)/$764 (46)/$1,014 (56)	$ 641 (29)	39 (34)	-16/-25	(-19)	$598 (36)	59 (64)
Crow Creek Sioux	714 (38)	88 (4) / 417 (25)/ 505 (29)	209 (9)	29 (25)	-26/-35	(-28)	215 (13)	43 (45)
Devils Lake Sioux	729 (39)	131 (5) / 216 (13)/ 347 (18)	382 (21)	52 (53)	-3/-12	(-0-)	215 (13)	62 (72)
Rosebud Sioux	2,270 (117)	496 (20)/ 946 (57)/ 1,442 (77)	828 (40)	36 (34)	-19/-28	(-19)	498 (30)	35 (39)
Standing Rock Sioux	1,523 (80)	175 (7) / 647 (39)/ 822 (46)	700 (34)	46 (43)	-9/18	(-10)	315 (19)	38 (41)
Turtle Mountain Chippewa	2,189 (113)	368 (15)/ 598 (36)/ 965 (51)	1,224 (63)	56 (55)	+1/-8	(+2)	597 (36)	62 (71)
Omaha Tribe of Nebraska	457 (25)	-0- (-0-)/ 234 (14)/ 234 (14)	223 (11)	49 (42)	-6/-15	(-11)	183 (11)	78 (79)
Santee Sioux of Nebraska	180 (9)	16 (1) / 50 (3)/ 66 (4)	114 (5)	63 (58)	+8/-1	(+5)	50 (3)	76 (75)
Cook Inlet Native Assoc.	4,036 (158)	344 (11)/ 519 (22)/ 863 (33)	3,173 (125)	79 (79)	+24/+15	(+26)	496 (21)	57 (64)
Bristol Bay Area Health Corporation	3,436 (135)	448 (14)/ 307 (13)/ 755 (27)	2,681 (108)	78 (80)	+23/+14	(+27)	307 (13)	41 (48)

* From IHS Resource Requirement Methodology (RRM)

CONCLUSION OF HEARINGS

Senator McClure. Thank you very much. That will conclude all the testimony on budget requests for this year. With that the hearing is recessed.

[Whereupon at 3:15 p.m., Thursday, May 13, the hearings were concluded, and the subcommittee was recessed, subject to the call of the Chair.]

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